

State of Illinois
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
FINANCIAL AUDIT
(In Accordance with the Single Audit Act and OMB Circular A-133)
For the Year Ended June 30, 2006

Performed as Special Assistant Auditors
For the Auditor General, State of Illinois

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
For the Year Ended June 30, 2006**

TABLE OF CONTENTS

Officials.....	1
Compliance Report Summary.....	2-3
Financial Statement Report Summary	4

AUDITORS' REPORTS

Independent Auditors' Report	5-6
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	7-8
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	9-10

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results	11
Financial Statement and Federal Award Findings.....	12-17
Corrective Action Plan for Current Year Audit Findings.....	18-21
Summary Schedule of Prior Audit Findings.....	22

MANAGEMENT'S DISCUSSION AND ANALYSIS	23-29
--	-------

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements	
Statement of Net Assets.....	30
Statement of Activities.....	31
Fund Financial Statements	
Balance Sheet – Governmental Funds	32
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	33
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	34
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities - Governmental Funds	35
Statement of Net Assets - Proprietary Funds	36
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds.....	37
Statement of Cash Flows – Proprietary Fund Types	38
Statement of Fiduciary Net Assets – Fiduciary Fund	39
Notes to Financial Statements.....	40-56

SUPPLEMENTARY INFORMATION

Combining and Individual Fund Statements and Schedules

Governmental Funds	57
General Fund	
Combining Schedule of Accounts - General Fund	58
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balance	59
Budgetary Comparison Schedule.....	60
Education Fund	
Combining Schedule of Accounts	61-62
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Education Fund Accounts	63-64
Budgetary Comparison Schedule - Education Fund Accounts	65-70
Budgetary Comparison Schedule - Technology Enhancing Education Competitive Grant	71-72
Combining Schedule of Accounts - Educational Therapy Center Fund	73
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances- Educational Therapy Center Fund	74
Combining Balance Sheet - Nonmajor Special Revenue Funds	75-76
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Special Revenue Funds	77-78
Budgetary Comparison Schedule - Technology Innovative Challenge	79
Budgetary Comparison Schedule - Lincoln Charter School	80
<u>Agency Funds</u>	
Statement of Changes in Assets and Liabilities	81

Single Audit Section

Schedule of Expenditures of Federal Awards.....	82
Notes to the Schedule of Expenditures of Federal Awards.....	83

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
For the Year Ended June 30, 2006**

OFFICIALS

Regional Superintendent (5/30/07 – Current)	Mr. Robert A. Daiber
Regional Superintendent (4/26/07 – 5/30/07)	Mr. Cullen L. Cullen
Regional Superintendent (During the audit period through 3/30/07)	Mr. Harry A. Briggs
Assistant Regional Superintendent (Current and during audit period)	Mr. Cullen L. Cullen

Office is located at:

157 N. Main Street Ste 438
Edwardsville, Illinois 62025

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
For the Year Ended June 30, 2006**

COMPLIANCE REPORT SUMMARY

The compliance audit testing performed in this audit was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

AUDITORS' REPORTS

The auditors' reports on compliance and on internal controls do not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	4	6
Repeated audit findings	3	2
Prior recommendations implemented or not repeated	3	3

Details of audit findings are presented in a separately tabbed report section.

SUMMARY OF FINDINGS AND QUESTIONED COSTS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
FINDINGS (GOVERNMENT AUDITING STANDARDS)		
06-1	12	Unrecorded payables and receivables material to the financial statements
06-2	13	Inaccurate expenditure reports filed
06-3	14	Inadequate review of journal entries
06-4	15	Controls over compliance with laws and regulation
FINDINGS AND QUESTIONED COST (FEDERAL COMPLIANCE)		
06-2	16	Inaccurate expenditure reports filed
PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)		
05-1	21	General ledger with self balancing accounts by fund was not maintained
05-5	21	Inadequate pledged collateral
PRIOR FINDINGS NOT REPEATED (FEDERAL COMPLIANCE)		
05-6	21	Excess cash balance was maintained

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
For the Year Ended June 30, 2006**

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an exit conference on November 28, 2006. The following people attended this meeting:

<u>Name</u>	<u>Title</u>
Harry A. Briggs	Regional Superintendent
Cullen L. Cullen	Assistant Superintendent
Dale B. Holtmann	Special Assistant Auditor, J. W. Boyle & Co., Ltd.

Responses to the recommendations were provided by Cullen L. Cullen in a letter dated December 18, 2006.

FINANCIAL STATEMENT REPORT

Financial Presentation Examined

A financial statement audit consists of an audit of an agency's financial statements, including an examination of the underlying books and records, to determine whether those financial statements are fairly presented in accordance with generally accepted accounting principles.

The financial statement report is comprised of the following:

A Summary section providing a brief overview of the financial statement audit.

Auditors' Reports

- An Auditors' Reports section containing statements by the auditors on the scope and results of their audit, as required by applicable professional standards.

Findings and Recommendations

- A Findings & Recommendations section containing sequentially numbered findings in which the auditors note any instances of nonconformity by the agency with applicable laws, rules, regulations, grant agreements, and other standards governing its conduct that were found by the auditors in the course of their review. All findings are discussed with the agency officials during the post audit process.

Each finding generally contains: a description of the condition found; a recommendation by the auditors for corrective action; a response by the agency either accepting or rejecting the auditors' finding; and a description of the agency's plan for addressing the problem.

Financial Statements

- A Financial Statement section generally consisting of:
 - Management's discussion and analysis (MD&A) as required supplementary information;
 - Basic financial statements (entity-wide financial statements, fund financial statements, and notes to the financial statements);
 - Required supplementary information other than MD&A.

Additional financial statements may be presented for agencies with special reporting requirements.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
For the Year Ended June 30, 2006**

FINANCIAL STATEMENT REPORT SUMMARY

The audit of the accompanying basic financial statements of the Regional Office of Education #41 was performed by J.W. Boyle & Co., Ltd.

Based on their audit, the auditors expressed an unqualified opinion on the Regional Office of Education #41's basic financial statements.

AUDITOR'S REPORT

CERTIFIED PUBLIC ACCOUNTANTS

J.W. BOYLE & CO., LTD.
ESTABLISHED 1924

INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Regional Office of Education #41, as of and for the year ended June 30, 2006, which collectively comprise the Regional Office of Education #41's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Regional Office of Education #41's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Regional Office of Education #41, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 15, 2006 on our consideration of the Regional Office of Education #41's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 23 through 29 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Regional Office of Education #41's basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



J. W. Boyle & Co., Ltd.

November 15, 2006

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Regional Office of Education #41, as of and for the year ended June 30, 2006, which collectively comprise the Regional Office of Education #41's basic financial statements and have issued our report thereon dated November 15, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

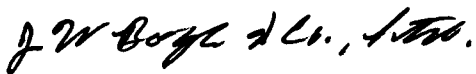
In planning and performing our audit, we considered the Regional Office of Education #41's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Regional Office of Education #41's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 06-1. We also noted other matters involving internal control over financial reporting which we reported on the accompanying Schedule of Findings and Questioned Costs as items 06-2 and 06-3.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Regional Office of Education #41's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 06-1, 06-2, and 06-3. We also noted a certain immaterial instance of noncompliance which we reported on the accompanying Schedule of Findings and Questioned Costs as item 06-4.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, agency management, others within the organization, Illinois State Board of Education, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



J. W. Boyle & Co., Ltd.

November 15, 2006

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have audited the compliance of the Regional Office of Education #41 with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The Regional Office of Education #41's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Regional Office of Education #41's management. Our responsibility is to express an opinion on the Regional Office of Education #41's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Regional Office of Education #41's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Regional Office of Education #41's compliance with those requirements.

In our opinion, the Regional Office of Education #41 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 06-2.

Internal Control over Compliance

The management of the Regional Office of Education #41 is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Regional Office of Education #41's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving internal control over compliance with major program requirements which we reported on the accompanying Schedule of Findings and Questioned Costs as item 06-2.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, agency management, others within the organization, Illinois State Board of Education, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

J. W. Boyle & Co., Ltd.

J. W. Boyle & Co., Ltd.

November 15, 2006

FINDINGS AND RECOMMENDATIONS

**STATE OF ILLINOIS
 REGIONAL OFFICE OF EDUCATION #41
 MADISON COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2006**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weakness(es) X Yes _____ No
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weakness(es) _____ Yes X No

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? X Yes _____ No

Identification of **major** programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.366	Mathematics and Science Partnership
84.318	Technology Enhancing Education-Competitive

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as a low-risk auditee? _____ Yes X No

STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2006

Section II--Financial Statement Findings

FINDING NO.
REPEATED FROM

06-1
05-2, 04-2, 03-3

Unrecorded payables and receivables material to the financial statements

1. ***Criteria/specific requirement:***

Accounting principles generally accepted in the United States of America require government-wide financial statements to be prepared on the accrual basis of accounting and the fund financial statements to be prepared on the modified accrual basis of accounting.

2. ***Condition:***

The Regional Office of Education did not properly record payables and receivables for the current and prior year. Accordingly, the Regional Office of Education's general ledger did not agree to the audited financial statements. Adjusting entries were required as part of the 2006 year end audit to account for the receivables, payables, and deferred revenue at June 30, 2005 and 2006.

3. ***Effect:***

Internal financial reports are not prepared in accordance with accounting principles generally accepted in the United States of America. The cash basis of accounting does not allow for the proper recording of revenues in the period earned and expenditures in the period they are incurred. Further, it makes it difficult to properly use the general ledger for accurate grant reporting.

4. ***Cause:***

The Regional Office of Education #41 has failed to maintain subsidiary records of accounts receivable, accounts payable, and deferred revenue. There also appears to be a lack of understanding of proper accounting standards and reporting requirements.

5. ***Recommendation:***

The Regional Office of Education #41 should maintain accurate records that would enable them to post the necessary entries to reflect the receivables, payables, and deferrals at year-end.

6. ***Management's response:***

The Regional Office of Education has hired an outside consultant to help train responsible personnel to properly maintain its general ledger on a modified accrual basis of accounting.

STATE OF ILLINOIS
 REGIONAL OFFICE OF EDUCATION #41
 MADISON COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2006

Section II--Financial Statement Findings

FINDING NO. 06-2
 REPEATED FROM 05-3, 04-4, 03-2

Federal Program Name and Year: Technology Enhancing Education-Competitive

Project No.: 05-4972-00

CFDA No.: 84.318

Passed Through: Illinois State Board of Education

Federal Agency: U.S. Department of Education

Inaccurate expenditure reports filed

1. **Criteria/specific requirement:**

Grant expenditure reports filed with the State should agree to general ledger totals.

2. **Condition:**

The expenditure report for one grant, for the grant period ended August 31, 2005, did not agree with the actual amounts expended as shown on the general ledger. The general ledger totals should agree or reconcile to the expenditure report total on all grants. The variance was as follows:

	General Ledger Amts.	Per Grant Report Amts.	Difference
Technology Enhancing Education-Competitive	\$ 1,209,553	\$ 1,246,341	\$ (36,788)

3. **Questioned Costs**

There were questioned costs attributable to the inaccurate grant report filed. An adjusting entry for accrued expenses was recorded in 2004 and the expenses were not reversed out in 2005. Therefore, the expenses were reported twice. The Regional Office of Education will need to file an amended grant report and return the amount in question to the Illinois State Board of Education.

4. **Context**

The Regional Office of Education has 21 grants for which they are required to submit grant expenditure reports. Of these, one was reported incorrectly.

5. **Effect:**

As a result, an inaccurate expenditure report was filed for the grant period ended August 31, 2005.

6. **Cause:**

The cause of the inaccurately filed expenditure report was due to the administrator of the grant using their own records to file the expenditure reports and not the general ledger. Another contributing factor is that the general ledger is maintained on a cash basis and the accrual entries create a reconciling difference that is unaccounted for.

7. **Recommendation:**

The Regional Office of Education #41 should file a corrected expenditure report for the grant year ended August 31, 2005, as soon as possible, and require that all expenditure reports are prepared using the general ledger totals adjusted for any accruals/payables. Since the grant period has ended, the excess funds should be sent back to the granting agency. Further, the Regional Office of Education should reconcile the program administrator's records to the general ledger for all grants to ensure all expenditures are accounted for.

8. **Management's response:**

The Regional Office of Education #41 will file a corrected expenditure report and they will return the unspent funds. To prevent this from happening in the future, instruction will be given to all program directors that the expenditure reports filed with the granting agencies must be reconciled with the general ledger prior to the final report being submitted.

STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2006

Section II--Financial Statement Findings

FINDING NO.
REPEATED FROM

06-3
N/A

Inadequate review of journal entries

1. ***Criteria/specific requirement:***

Adequate controls over compliance with laws, regulations, contracts, and grant agreements require supervisory review of expenditures charged to grant programs.

2. ***Condition:***

The program bookkeepers are able to enter general journal entries allocating expenditures between various programs without proper review and approval.

3. ***Effect:***

Unallowable costs could be charged to grant program expenditures or errors in calculating allocations could be made and not be detected within a reasonable period of time.

4. ***Cause:***

The Regional Superintendent did not realize the need for supervisory review of the general journal entries made to allocate expenditures to programs.

5. ***Recommendation:***

The Regional Superintendent should review and approve all general journal entries along with supporting information documenting the allocations by program before the entries are posted to the accounting records.

6. ***Management's response:***

The Regional Office of Education will develop a process to request, approve, and enter general journal entries. The Regional Superintendent, Assistant Regional Superintendent, or the Program Director will review and approve all general journal entries with supporting information and documentation prior to posting to the accounting records.

STATE OF ILLINOIS
 REGIONAL OFFICE OF EDUCATION #41
 MADISON COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2006

Section II--Financial Statement Findings

FINDING NO.	06-4
REPEATED FROM	05-4

Controls Over Compliance with Laws and Regulations

1. **Criteria/specific requirement:**

a. The Illinois School Code 105 ILCS 5/3-14.11 states that the Regional Superintendent shall examine at least once each year all books, accounts, and vouchers of every school treasurer in his educational service region, and if he finds any irregularities in them, to report them at once, in writing, to the trustees in Class II county school units, to the respective school boards of those school districts which form a part of a Class II county school unit but which are not subject to the jurisdiction of the trustees of schools of any township in which any such district is located, or to the respective school boards of the district in Class I county school units whose duty it shall be to take immediately such action as the case demands.

This mandate has existed in its current form since at least 1953.

b. The Illinois School Code 105 ILCS 5/3-14.5 requires that the Regional Superintendent visit each public school in the county at least once a year, noting the methods of instruction, the branches taught, the text-books used, and the discipline, government and general condition of the school.

This mandate has existed in its current form since at least 1953.

2. **Condition:**

a. The Regional Office of Education #41 is not examining all books, accounts, and vouchers of every school treasurer in its educational service area at least once each year. Regional Office officials noted that they believe this mandate is outdated and that they are satisfying the intent of the statute by other reviews they undertake. For example, the Regional Superintendent signs off on the Annual Financial Reports from the school district in his region. In addition, the Regional Office gets a spreadsheet from the Illinois State Board of Education (ISBE) that outlines all of the school districts and their audit exceptions, if any. The Regional Office follows up with school districts having exceptions and gets the corrective action and forwards it to ISBE.

While these are reviews involving the finances of school treasurers, they are not in the level of detail required by 105 ILCS 5/3-14.11.

b. The Regional Office of Education #41 is visiting each public school at least once a year and the methods of instruction, the branches taught, the discipline, government, and general condition of the school are all noted. However, the text-books used are not noted. Regional Office officials noted that they believe this mandate is outdated. Instruction is not driven by text-books but by State Standards. The Regional Superintendent is active in seeing that teachers are familiar with new methods of instruction through workshops organized by the Regional Office of Education.

3. **Effect:**

The Regional Office of Education #41 did not comply with statutory requirements.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2006**

4. ***Cause:***

- a. The Regional Superintendent receives and reviews the independent audits of all the school districts. If there is a problem he follows up accordingly with the school in question. As a result, the Regional Superintendent no longer considers the procedure necessary.
- b. The Regional Superintendent has no control over the choice of textbooks. Instruction is driven by State Standards. The Regional Superintendent is active in the training of teachers in order to provide the most current methods of instruction and to insure that State Standards are achieved. As a result, the Regional Superintendent no longer considers the procedure necessary.

5. ***Recommendation:***

- a. The Regional Office of Education #41 should comply with the requirements of 105 ILCS 5/3-14.11. If the Regional Office believes the statutory mandate is obsolete or otherwise unnecessary, then it should seek legislative action to revise the statute accordingly.
- b. The Regional Office of Education #41 should comply with the requirements of 105 ILCS 5/3-14.5. If the Regional Office believes the statutory mandate is obsolete or otherwise unnecessary, then it should seek legislative action to revise the statute accordingly.

6. ***Management's response:***

- a. The Regional Office of Education in conjunction with the Illinois Association of Regional Superintendents is in the process of seeking a legislative solution to this and other obsolete passages within the Illinois School Code.
- b. The Regional Office of Education in conjunction with the Illinois Association of Regional Superintendents is in the process of seeking a legislative solution to this and other obsolete passages within the Illinois School Code.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2006**

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NONCOMPLIANCE:

1. Finding No. 06-2 Inaccurate expenditure reports filed (finding details on page 13)

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
JUNE 30, 2006**

Corrective Action Plan

Finding No.: 06-1

Condition:

The Regional Office of Education did not properly record payables and receivables for the current and prior year. Accordingly, the Regional Office of Education's general ledger did not agree to the audited financial statements. Adjusting entries were required as part of the 2006 year end audit to account for the receivables and payables at June 30, 2005 and 2006.

Plan:

The Regional Office of Education has hired an outside consultant to help train responsible personnel to properly maintain its general ledger on a modified accrual basis of accounting. The consultant will also assist the bookkeeper with the year end entries to allow the Regional Office of Education to report on an accrual basis of accounting.

Anticipated Date of Completion:

The consultant has already been hired and is in process of training the bookkeeper and has assisted her with the adjusting and accrual entries for fiscal year 2006.

Name of Contact Person:

Harry Briggs, Regional Superintendent

**STATE OF ILLINOIS
 REGIONAL OFFICE OF EDUCATION #41
 MADISON COUNTY
 CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
 JUNE 30, 2006**

Corrective Action Plan

Finding No.: 06-2

Condition:

The expenditure report for one grant, for the grant period ended August 31, 2006, did not agree with the actual amounts expended as shown on the general ledger. The general ledger totals should agree or reconcile to the expenditure report total on all grants. The variance was as follows:

	<u>General Ledger Amts.</u>	<u>Per Grant Report Amts.</u>	<u>Difference</u>
Technology Enhancing Education Competitive	\$ 1,209,553	\$ 1,246,341	\$ (36,788)

Plan:

The Regional Office of Education will file a corrected expenditure report for grant year ended June 30, 2005 and will return the questioned costs of \$36,788 as soon as possible. Instruction will be given to all program directors that the expenditure reports filed with the granting agencies must be reconciled with the general ledger prior to the final report being submitted.

Anticipated Date of Completion:

December 15, 2006

Name of Contact Person:

Cullen Cullen, Assistant Regional Superintendent

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
JUNE 30, 2006**

Corrective Action Plan

Finding No.: 06-3

Condition:

The program bookkeepers are able to enter general journal entries allocating expenditures between various programs without proper review and approval.

Plan:

The Regional Office of Education will require all journal entries to be approved by a program director, Assistant Regional Superintendent, or the Regional Superintendent.

Anticipated Date of Completion:

January 1, 2007

Name of Contact Person:

Cullen Cullen, Assistant Regional Superintendent

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
CORRECTIVE ACTION PLAN FOR CURRENT-YEAR AUDIT FINDINGS
JUNE 30, 2006**

Corrective Action Plan:

Finding No.: 06-4

Condition:

a. The Regional Office of Education #41 is not examining all books, accounts, and vouchers of every school treasurer in its educational service area at least once each year. Regional Office officials noted that they believe this mandate is outdated and that they are satisfying the intent of the statute by other reviews they undertake. For example, the Regional Superintendent signs off on the Annual Financial Reports from the school district in his region. In addition, the Regional Office gets a spreadsheet from the Illinois State Board of Education (ISBE) that outlines all of the school districts and their audit exceptions, if any. The Regional Office follows up with school districts having exceptions and gets the corrective action and forwards it to ISBE.

While these are reviews involving the finances of school treasurers, they are not in the level of detail required by 105 ILCS 5/3-14.11.

b. The Regional Office of Education #41 is visiting each public school at least once a year and the methods of instruction, the branches taught, the discipline, government, and general condition of the school are all noted. However, the text-books used are not noted. Regional Office officials noted that they believe this mandate is outdated. Instruction is not driven by text-books but by State Standards. The Regional Superintendent is active in seeing that teachers are familiar with new methods of instruction through workshops organized by the Regional Office of Education.

Plan:

The Regional Office of Education will seek a legislative solution to these and other obsolete passages.

Anticipated Date of Completion:

As soon as practical.

Name of Contact Person:

Cullen Cullen, Assistant Regional Superintendent

STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2006

Finding Number	Condition	Current Status
05-1	General ledger with self balancing accounts by fund was not maintained	Corrected, all funds now balance by individual fund.
05-2	Unrecorded payables and receivables material to the financial statements	Repeat Finding
05-3	Inaccurate expenditure reports filed	Repeat Finding
05-4	Controls over compliance with laws and regulation	Repeat Finding
05-5	Inadequate pledged collateral	Corrected, all bank accounts and investments are fully collateralized
05-6	Excess cash balance was maintained	Corrected, grant drawdowns were based on immediate need, no excess cash was maintained

FINANCIAL STATEMENTS

**REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Madison County Regional Office of Education #41 (ROE #41), we offer readers of our financial statements this narrative overview and analysis of the financial activities of the ROE #41 for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with ROE #41's financial statements, which follow this section.

2006 Financial Highlights

- The assets of the Regional Office of Education #41 exceeded its liabilities by approximately \$2,010,000 (net assets). The total net assets decreased by approximately \$145,000 or 7%. This decrease is principally from the decrease in grant funds received by the ROE #41 in 2006.
- Operating grant monies received by the ROE #41 decreased by approximately \$1,389,000 in 2006. This decrease is mainly due to decreases in grants received for the Technology Innovation Challenge, the Technology Enhancing Education Competitive Grant, Lincoln Charter School, and the Mathematics and Science Partnership Grant.
- The Technology Enhancing Education Competitive Grant, federal money to be used to enhance the technology resources for teachers in the Madison County area, was winding down in 2006 as revenues and expenditures decreased approximately \$672,000 from this grant.

Overview of the Financial Statement

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.
- The Government-wide financial statements consist of a Statement of Net Assets and a Statement of Activities. These financial statements provide information about the activities of ROE #41 as a whole and present an overall view of the Agency's finances in a manner similar to private sector businesses.
- The fund financial statements illustrate how governmental services were financed in the short term, as well as what remains for future spending. Fund financial statements report ROE #41's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Supplementary information further explains and supports the financial statements.
- Other information includes combining financial statements and budgetary information for certain general fund accounts, Education fund accounts, Technology Enhancing Education Competitive, Technology Innovation Challenge, Education Therapy Center, Lincoln Charter School, and other non-major accounts.

See independent auditors' report.

**REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of ROE #41's finances, in a manner similar to private-sector businesses.

The Statement of Net Assets presents information on all of ROE #41's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of ROE #41 is improving or deteriorating.

The Statement of Activities presents information showing how ROE #41's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for certain items that will only result in cash flows in future fiscal periods.

In the government-wide financial statements, ROE #41's activities are divided into two categories:

- *Governmental activities:* Most of ROE #41's basic services are included here, such as regular and special education instruction, instructional staff support services and administration. Federal, state and local grants and contributions finance many of these activities.
- *Business-type activities:* ROE #41 charges fees to help cover the costs of certain services it provides, such as workshops, conferences and teacher certification.

The government-wide financial statements can be found on pages 30-31 of this report.

Fund financial statements. The fund financial statements provide detailed information about ROE #41's funds, focusing on its most significant or "major" funds, not ROE #41 as a whole. Funds are accounting devices ROE #41 uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law. ROE #41 establishes other funds to control and manage money for particular purposes, such as educational instruction in specific areas or in order to show that it is properly using certain revenues, such as federal grants. All of the funds of ROE #41 can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* account for most of ROE #41's basic services. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the fiscal year. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. Because the governmental fund information does not encompass the additional long-term focus of the government-wide statements, it is useful to compare the statements. By so doing, the readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

See independent auditors' report.

**REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Governmental funds include all general and special revenue funds. The governmental funds required financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

The basic governmental fund financial statements can be found on pages 32 and 34 of this report.

Proprietary funds. ROE #41 maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide statements. ROE #41 uses enterprise funds to account for educational services for which it charges a fee. Proprietary fund statements provide the same type of information as the government-wide financial statements, but with more detail and additional information, such as cash flows. The proprietary fund financial statements provide separate information for the Technology Hub, Workshop, and Teacher's Institute funds.

The proprietary funds required financial statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets and a Statement of Cash Flows. The basic proprietary fund financial statements can be found on pages 36-38 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support ROE #41's own programs. The accounting for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund statement can be found on page 39 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 40-56 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning ROE #41. Overall budgeting is not a legal requirement for ROE #41. Accordingly, formal budgets are not adopted; and therefore, budgetary comparison statements are not included in the required supplementary information. However, ROE #41 is the recipient of monies from the Illinois State Board of Education (ISBE) for certain accounts within the general fund and for most accounts within the education fund on which ISBE requires budgetary comparison to actual results. Budgetary comparison schedules have been provided for the ISBE accounts to demonstrate compliance and can be found on pages 60, 65-72, and 79-80 of this report.

The combining statements, in connection with the General, Education Funds, Technology Enhancing Education Competitive, Technology Innovation Challenge, Education Therapy Center, and non-major special revenue funds can be found on pages 58-80 of this report.

See independent auditors' report.

**REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. Madison County Regional Office of Education's net assets at the end of the Fiscal Year 2006 totaled approximately \$2.01 million. This is compared to approximately \$2.15 million at the end of Fiscal Year 2005. The analysis that follows provides a summary of the ROE's net assets at June 30, 2006 for the governmental and business-type activities.

	Condensed Statement of Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 1,748,398	\$ 2,569,482	\$ 650,147	\$ 597,754	\$ 2,398,545	\$ 3,167,236
Capital assets	248,731	144,863	1,731	2,231	250,462	147,094
Total assets	<u>\$ 1,997,129</u>	<u>\$ 2,714,345</u>	<u>\$ 651,878</u>	<u>\$ 599,985</u>	<u>\$ 2,649,007</u>	<u>\$ 3,314,330</u>
Current liabilities	\$ 430,100	\$ 1,151,901	\$ 27,716	\$ 6,883	\$ 457,816	\$ 1,158,784
Noncurrent liabilities	180,697	-	-	-	180,697	-
Total liabilities	<u>\$ 610,797</u>	<u>\$ 1,151,901</u>	<u>\$ 27,716</u>	<u>\$ 6,883</u>	<u>\$ 638,513</u>	<u>\$ 1,158,784</u>
Net assets:						
Invested in Capital Assets, net of related debt	\$ 248,731	\$ 144,863	\$ 1,731	\$ 2,231	\$ 250,462	\$ 147,094
Restricted	-	-	213,955	173,156	213,955	173,156
Unrestricted	<u>1,137,601</u>	<u>1,417,581</u>	<u>408,476</u>	<u>417,715</u>	<u>1,546,077</u>	<u>1,835,296</u>
Total net assets	<u>\$ 1,386,332</u>	<u>\$ 1,562,444</u>	<u>\$ 624,162</u>	<u>\$ 593,102</u>	<u>\$ 2,010,494</u>	<u>\$ 2,155,546</u>

During Fiscal Year 2006, current assets comprised predominately of cash and receivables, for governmental activities decreased approximately \$821,000 and other liabilities decreased approximately \$541,000, both due in large part to the timing of grant receipts.

As indicated above, ROE #41 reported positive net assets for both the governmental and business-type activities. The assets of ROE #41 exceeded its liabilities at the close of the year by approximately \$2,010,000 (net assets). The investment in net capital assets was approximately \$250,000 at the end of Fiscal Year 2006. ROE #41 uses these capital assets in providing services to its citizens; consequently, these assets are not available for future spending.

Net assets of ROE #41 decreased by approximately \$145,000 during Fiscal Year 2006. The net decrease is a result of less grants funds being received in Fiscal Year 2006. Key elements of the change are as follows:

**REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

	Changes in Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	\$ 1,844,606	\$ 1,746,855	\$ 265,775	\$ 159,370	\$ 2,110,381	\$ 1,906,225
Operating grants and contributions	2,107,066	3,496,401	-	-	2,107,066	3,496,401
General revenues:						
Local source	59,250	180,731	-	-	59,250	180,731
State source	1,855	80,183	-	-	1,855	80,183
Investment Earnings	45,398	12,882	19,428	6,836	64,826	19,718
On-behalf payments	975,644	961,056	-	-	975,644	961,056
Total revenues	5,033,819	6,478,108	285,203	166,206	5,319,022	6,644,314
Primary government:						
Instructional Services:						
Salaries and benefits	2,947,381	3,110,706	137,027	66,979	3,084,408	3,177,685
Purchased services	677,485	976,095	72,971	72,852	750,456	1,048,947
Supplies and materials	283,269	410,793	15,227	15,049	298,496	425,842
Capital Outlay	6,132	260,287	7,822	-	13,954	260,287
Other objects	6,789	495,842	-	20	6,789	495,862
Other payments to governments	257,786	32,013	6,357	5,549	264,143	37,562
Depreciation	69,684	42,514	500	269	70,184	42,783
Administrative on-behalf payments						
State	336,460	403,286	-	-	336,460	403,286
Local	639,184	557,770	-	-	639,184	557,770
Total expenses	5,224,170	6,289,306	239,904	160,718	5,464,074	6,450,024
Transfers	14,239	-	(14,239)	-	-	-
Change in net assets	(176,112)	188,802	31,060	5,488	(145,052)	194,290
Net assets, beginning of year	1,562,444	1,373,642	593,102	587,614	2,155,546	1,961,256
Net assets, end of year	<u>\$ 1,386,332</u>	<u>\$ 1,562,444</u>	<u>\$ 624,162</u>	<u>\$ 593,102</u>	<u>\$ 2,010,494</u>	<u>\$ 2,155,546</u>

GOVERNMENTAL ACTIVITIES

Revenues for Governmental activities decreased approximately \$1,444,000 or 22% in Fiscal Year 2006. The decrease represents a loss in operating grants for Technology Enhancing Education Competitive of more than \$672,000, as well as losses of operating grants for Technology Innovation Challenge, Lincoln Charter School, and the Mathematics and Science Partnership Grant.

See independent auditors' report.

**REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

GOVERNMENTAL ACTIVITIES (CONTINUED)

The expenditures decreased approximately \$1,065,000 or 17%. The expenditures decrease is also attributable to the Technology Enhancing Education Competitive Grant, the Technology Innovation Challenge, Lincoln Charter School, and the Mathematics and Science Partnership Grant as noted above.

BUSINESS-TYPE ACTIVITIES

Revenues for this activity are comprised of charges for services. Expenses are for the purchase of services and the costs related to the workshops, conferences and academics conducted by the ROE. The increase in the revenues of approximately \$119,000 is a result of an increase in number of teachers' certificate registrations and the fact that there were more workshops in 2006. Expenditures increased by approximately \$79,000 as the number of conferences and workshops increased and the need for personnel for these activities increased. The net assets related to the Teacher Institute Fund are considered restricted for teacher professional development.

FINANCIAL ANALYSIS OF THE REGIONAL OFFICE OF EDUCATION'S FUNDS

As previously noted, Madison County Regional Office of Education #41 uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

GOVERNMENTAL FUND HIGHLIGHTS

The ROE's governmental funds reported combined fund balances of approximately \$1,318,000, this is a decrease from last year's approximate ending fund balance of \$1,418,000 by \$100,000. The change in governmental funds is attributable to the change in revenues and expenditures as discussed in Governmental Activities above.

PROPRIETARY FUND HIGHLIGHTS

The business-type activities net assets increased approximately \$31,000, from \$593,000 at June 30, 2005 to \$624,000 at June 30, 2006, representing an increase of approximately 5 percent. There was an increase in the demand for technology support at the schools in the form of setting up e-mail accounts. Also, there were more workshops in 2006 and an increase in teachers' certificate registrations.

BUDGETARY HIGHLIGHTS

Presenting an overall budget is not a legal requirement of ROE #41. Formal budgets are not adopted for all funds; therefore budgetary comparison statements are not included in the financial statements.

ROE #41 is a subrecipient for certain grant programs that are accounted for within the special revenue funds. These programs have separate budgets and are required to be reported to the Illinois State Board of Education. Comparison of budgeted and actual results for various programs are presented as supplementary information.

**REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

CAPITAL ASSETS

At June 30, 2006, the ROE had invested approximately \$250,000, net of accumulated depreciation, in computers, audio-visual equipment, and other office equipment. This is a net increase of approximately \$103,000 from last year. This increase was due to the purchase of over \$155,000 of computer equipment and \$18,000 for the purchase of 2 passenger buses in addition to the depreciation of approximately \$70,000 for the year.

More detailed information about capital assets is available in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At the time these financial statements were prepared and audited, the ROE was aware of several existing circumstances that could significantly affect its financial health in the future.

- The ROE has experienced an increase in the number of students being served by its programs in the past year. A slight increase in enrollment is expected for the upcoming year based on requests from local school districts.
- The ROE's special day treatment program has been approved as a county governmental owned school and anticipates increased referrals from local school districts.
- The amount of the state funds received decreased in fiscal year 2006. It is expected that this trend will continue.
- Federal funds for Lincoln Charter School will not be available for fiscal year 2007 according to the Illinois State Board of Education.

CONTACTING THE REGIONAL OFFICE OF EDUCATION'S FINANCIAL MANAGEMENT

The financial report is designed to provide the ROE's citizens, taxpayers, customers, and creditors with a general overview of the ROE's finances and to demonstrate the ROE's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Office Manger's Office of the Madison County Regional Office of Education, 157 N. Main Street, Suite 438, Edwardsville, IL 62025.

BASIC FINANCIAL STATEMENTS

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
STATEMENT OF NET ASSETS
June 30, 2006

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 1,444,801	\$ 629,526	\$ 2,074,327
Due from other governments	23,473	-	23,473
Accounts receivable	280,124	20,621	300,745
Prepaid items	-	-	-
Total current assets	<u>1,748,398</u>	<u>650,147</u>	<u>2,398,545</u>
Noncurrent assets:			
Capital assets, net of depreciation	<u>248,731</u>	<u>1,731</u>	<u>250,462</u>
Total noncurrent assets	<u>248,731</u>	<u>1,731</u>	<u>250,462</u>
 TOTAL ASSETS	 <u><u>\$ 1,997,129</u></u>	 <u><u>\$ 651,878</u></u>	 <u><u>\$ 2,649,007</u></u>
 LIABILITIES			
Current liabilities:			
Accounts payable	\$ 129,438	\$ 22,274	\$ 151,712
Accrued payroll	162,081	2,167	164,248
Due to other governments	15,706	3,275	18,981
Deferred revenue	122,875	-	122,875
Other current liabilities	-	-	-
Total current liabilities	<u>430,100</u>	<u>27,716</u>	<u>457,816</u>
Noncurrent liabilities			
Compensated absences	<u>180,697</u>	<u>-</u>	<u>180,697</u>
 TOTAL LIABILITIES	 <u><u>\$ 610,797</u></u>	 <u><u>\$ 27,716</u></u>	 <u><u>\$ 638,513</u></u>
 NET ASSETS			
Invested in capital assets, net of related debt	\$ 248,731	\$ 1,731	\$ 250,462
Unrestricted	1,137,601	408,476	1,546,077
Restricted for teacher professional development	<u>-</u>	<u>213,955</u>	<u>213,955</u>
 TOTAL NET ASSETS	 <u><u>\$ 1,386,332</u></u>	 <u><u>\$ 624,162</u></u>	 <u><u>\$ 2,010,494</u></u>

The notes to the financial statements are an integral part of this statement.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

FUNCTIONS/PROGRAMS Primary Government:	Program Revenues				Net (Expenses) Revenue and Change in Net Assets		
	Expenses	Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business-Type Activities	Total
	\$	\$	\$	\$	\$	\$	\$
Governmental Activities:							
Instructional Services:							
Salaries and benefits	2,947,381	1,482,366	1,184,762	-	(280,253)	-	(280,253)
Purchased services	677,485	234,022	361,946	-	(81,517)	-	(81,517)
Supplies and materials	283,269	113,152	139,248	-	(30,869)	-	(30,869)
Capital outlay	6,132	7,695	166,055	-	167,618	-	167,618
Other objects	6,789	997	4,669	-	(1,123)	-	(1,123)
Other payments to governments	257,786	6,374	250,386	-	(1,026)	-	(1,026)
Depreciation	69,684	-	-	-	(69,684)	-	(69,684)
Administrative:							
On-behalf payments - State	336,460	-	-	-	(336,460)	-	(336,460)
On-behalf payments - Local	639,184	-	-	-	(639,184)	-	(639,184)
Total governmental activities	5,224,170	1,844,606	2,107,066	-	(1,272,498)	-	(1,272,498)
Business-type activities:							
Instructional Services:	239,904	265,775	-	-	-	25,871	25,871
Total business-type activities	239,904	265,775	-	-	-	25,871	25,871
Total primary government	5,464,074	2,110,381	2,107,066	-	(1,272,498)	25,871	(1,246,627)
General Revenues:							
Local Sources					59,250	-	59,250
State Sources					1,855	-	1,855
On-behalf payments					975,644	-	975,644
Interest					45,398	19,428	64,826
Transfers					14,239	(14,239)	-
Total general revenues and transfers					1,096,386	5,189	1,101,575
Change in net assets					(176,112)	31,060	(145,052)
Net Assets - beginning					1,562,444	593,102	2,155,546
Net Assets - ending					\$ 1,386,332	\$ 624,162	\$ 2,010,494

The notes to the financial statements are an integral part of this statement.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2006**

	General Fund	Education Fund	Lighthouse Educational Assistance Program	Technology Enhancing Education Competitive Grant	Educational Therapy Center	Other Non-major Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$ 78,289	\$ 452,201	\$ 309,544	\$ 48,118	\$ 489,254	\$ 67,395	\$ 1,444,801
Due from other funds	-	-	-	-	-	-	-
Due from other governments	-	22,473	-	-	-	1,000	23,473
Accounts Receivable	-	142,994	67,394	-	63,110	6,626	280,124
Prepaid items	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 78,289	\$ 617,668	\$ 376,938	\$ 48,118	\$ 552,364	\$ 75,021	\$ 1,748,398
LIABILITIES							
Accounts payable	\$ 1,676	\$ 75,060	\$ -	\$ 8,536	\$ 8,120	\$ 36,046	\$ 129,438
Accrued payroll	3,499	33,399	27,141	-	75,630	22,412	162,081
Due to other funds	-	-	-	-	-	-	-
Due to other governments	517	15,189	-	-	-	-	15,706
Deferred Revenue	-	83,293	-	39,582	-	-	122,875
Total liabilities	5,692	206,941	27,141	48,118	83,750	58,458	430,100
FUND BALANCES							
Unreserved, reported in:							
General fund	72,597	-	-	-	-	-	72,597
Special revenue fund	-	410,727	349,797	-	468,614	16,563	1,245,701
Total fund balances	72,597	410,727	349,797	-	468,614	16,563	1,318,298
TOTAL LIABILITIES AND FUND BALANCES	\$ 78,289	\$ 617,668	\$ 376,938	\$ 48,118	\$ 552,364	\$ 75,021	\$ 1,748,398

The notes to the financial statements are an integral part of this statement.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
GOVERNMENTAL FUNDS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
June 30, 2006

Total Fund balances - governmental funds	\$ 1,318,298
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	248,731
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.	<u>(180,697)</u>
Net assets of governmental activities	<u><u>\$ 1,386,332</u></u>

The notes to the financial statements are an integral part of this statement.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2006**

	General Fund	Education Fund	Lighthouse Educational Assistance Program	Technology Enhancing Education Competitive Grant	Educational Therapy Center	Other Non-Major Funds	Total Governmental Funds
Revenues:							
Local sources	\$ -	\$ 53,064	\$ 330,955	\$ -	\$ 1,075,439	\$ 444,399	\$ 1,903,857
State sources	410,520	723,462	-	-	1,800	2,440	1,138,222
Federal sources	-	345,926	-	529,905	27,654	67,213	970,698
On-behalf payments	975,644	-	-	-	-	-	975,644
Interest	3,504	12,080	7,734	-	17,213	4,867	45,398
Total revenues	1,389,668	1,134,532	338,689	529,905	1,122,106	518,919	5,033,819
Expenditures:							
Salaries and benefits	279,108	902,229	258,239	9,155	1,135,817	338,860	2,923,408
Purchased services	95,134	195,621	11,229	71,579	85,508	218,414	677,485
Supplies and materials	9,376	39,104	7,615	82,059	45,341	99,774	283,269
Capital Outlay	33,059	18,700	-	116,900	2,992	8,033	179,684
Other objects	333	5,108	88	-	682	578	6,789
Payments to other governments	-	-	-	250,212	7,574	-	257,786
On-behalf payments	975,644	-	-	-	-	-	975,644
Total expenditures	1,392,654	1,160,762	277,171	529,905	1,277,914	665,659	5,304,065
Revenues over (under) expenditures	(2,986)	(26,230)	61,518	-	(155,808)	(146,740)	(270,246)
Other financing sources (uses)							
Transfers in	-	-	-	-	-	14,285	14,285
Transfers out	-	(45)	-	-	-	(1)	(46)
Total other financing sources	-	(45)	-	-	-	14,284	14,239
Net change in fund balances	(2,986)	(26,275)	61,518	-	(155,808)	(132,456)	(256,007)
Fund balance, beginning of year (restated)	75,583	437,002	288,279	-	624,422	149,019	1,574,305
Fund balance, end of year	\$ 72,597	\$ 410,727	\$ 349,797	\$ -	\$ 468,614	\$ 16,563	\$ 1,318,298

The notes to the financial statements are an integral part of this statement.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006**

Net change in fund balances \$ (256,007)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	\$ 173,552	
Depreciation expense	(69,684)	103,868

Certain expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds

Compensated absences		(23,973)
----------------------	--	----------

Change in net assets of governmental activities	\$ (176,112)
---	--------------

The notes to the financial statements are an integral part of this statement.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
June 30, 2006

	<u>Business-Type Activities - Enterprise Funds</u>			
	Technology			
	Hub			
ASSETS	<u>Enterprise</u>	<u>Workshop</u>	<u>Institute</u>	<u>Total</u>
Current assets:				
Cash and investments	\$ 157,580	\$ 264,148	\$ 207,798	\$ 629,526
Due from other governments	-	-	-	-
Accounts receivable	-	11,189	9,432	20,621
Prepaid items	-	-	-	-
Total current assets	<u>157,580</u>	<u>275,337</u>	<u>217,230</u>	<u>650,147</u>
Noncurrent assets				
Capital assets, net of depreciation	<u>1,731</u>	<u>-</u>	<u>-</u>	<u>1,731</u>
Total noncurrent assets	<u>1,731</u>	<u>-</u>	<u>-</u>	<u>1,731</u>
TOTAL ASSETS	<u>159,311</u>	<u>275,337</u>	<u>217,230</u>	<u>651,878</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	1,185	21,089	-	22,274
Accrued payroll	-	2,167	-	2,167
Due to other governments	-	-	3,275	3,275
Deferred revenue	-	-	-	-
Other current liabilities	-	-	-	-
Total current liabilities	<u>1,185</u>	<u>23,256</u>	<u>3,275</u>	<u>27,716</u>
Non current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	<u>1,185</u>	<u>23,256</u>	<u>3,275</u>	<u>27,716</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,731	-	-	1,731
Unrestricted	156,395	252,081	-	408,476
Restricted for teacher professional development	<u>-</u>	<u>-</u>	<u>213,955</u>	<u>213,955</u>
TOTAL NET ASSETS	<u>\$ 158,126</u>	<u>\$ 252,081</u>	<u>\$ 213,955</u>	<u>\$ 624,162</u>

The notes to the financial statements are an integral part of this statement.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS
For the Year Ended June 30, 2006

	Business-Type Activities - Enterprise Funds			
	Technology Hub			
	<u>Enterprise</u>	<u>Workshop</u>	<u>Institute</u>	<u>Total</u>
Operating revenue				
Charges for services	\$ 6,098	\$ 188,372	\$ 71,305	\$ 265,775
Operating expenses				
Salaries and benefits	2,821	134,206	-	137,027
Purchased services	230	45,021	27,720	72,971
Supplies and materials	1,358	11,775	2,094	15,227
Capital outlay	7,792	30	-	7,822
Depreciation	500	-	-	500
Payments to Other Governments	-	120	6,237	6,357
Total operating expenses	<u>12,701</u>	<u>191,152</u>	<u>36,051</u>	<u>239,904</u>
Operating income (loss)	<u>(6,603)</u>	<u>(2,780)</u>	<u>35,254</u>	<u>25,871</u>
Nonoperating revenue				
Interest	<u>5,203</u>	<u>8,680</u>	<u>5,545</u>	<u>19,428</u>
Income (loss) before transfers	<u>(1,400)</u>	<u>5,900</u>	<u>40,799</u>	<u>45,299</u>
Transfers in	-	45	-	45
Transfers (out)	<u>(14,284)</u>	<u>-</u>	<u>-</u>	<u>(14,284)</u>
Total operating transfers	<u>(14,284)</u>	<u>45</u>	<u>-</u>	<u>(14,239)</u>
Change in net assets	(15,684)	5,945	40,799	31,060
Net Assets, Beginning of year	<u>173,810</u>	<u>246,136</u>	<u>173,156</u>	<u>593,102</u>
Net Assets, End of year	<u>\$ 158,126</u>	<u>\$ 252,081</u>	<u>\$ 213,955</u>	<u>\$ 624,162</u>

The notes to the financial statements are an integral part of this statement.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND TYPES
For the Year Ended June 30, 2006

	Business-Type Activities - Enterprise Funds			
	Technology			
	Hub			
	Enterprise	Workshop	Institute	Total
Cash flows from operating activities:				
Receipts from customers	\$ 6,098	\$ 177,183	\$ 63,376	\$ 246,657
Payments to suppliers and providers of goods and services	(8,195)	(35,857)	(36,122)	(80,174)
Payments to employees	(2,821)	(135,576)	-	(138,397)
Net cash provided by (used for) operating activities	<u>(4,918)</u>	<u>5,750</u>	<u>27,254</u>	<u>28,086</u>
Cash flows from noncapital financing activities:				
Cash transfers from other funds	-	45	-	45
Cash transfers to other funds	(14,284)	-	-	(14,284)
Net cash provided by (used for) noncapital financing activities	<u>(14,284)</u>	<u>45</u>	<u>-</u>	<u>(14,239)</u>
Cash flows from capital and related financing activities:	-	-	-	-
Cash flows from investing activities:				
Interest received on investments	5,203	8,680	5,545	19,428
Net cash provided by investing activities	<u>5,203</u>	<u>8,680</u>	<u>5,545</u>	<u>19,428</u>
Net increase (decrease) in cash and cash equivalents	(13,999)	14,475	32,799	33,275
Cash and cash equivalents - Beginning of year	<u>171,579</u>	<u>249,673</u>	<u>174,999</u>	<u>596,251</u>
Cash and cash equivalents - End of year	<u>\$ 157,580</u>	<u>\$ 264,148</u>	<u>\$ 207,798</u>	<u>\$ 629,526</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ (6,603)	\$ (2,780)	\$ 35,254	\$ 25,871
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	500	-	-	500
Change in assets and liabilities:				
(Increase) in accounts receivable	-	(11,189)	(7,929)	(19,118)
Increase in accounts payable	1,185	19,540	-	20,725
(Decrease) in due to other governments	-	-	(71)	(71)
Increase in accrued payroll	-	179	-	179
Net cash provided by (used for) operating activities	<u>\$ (4,918)</u>	<u>\$ 5,750</u>	<u>\$ 27,254</u>	<u>\$ 28,086</u>

The notes to the financial statements are an integral part of this statement.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2006

	<u>Agency Fund</u>
ASSETS	
Cash (overdrafts)	\$ (6,012)
Accounts receivable	<u>1,612</u>
Total assets	<u><u>\$ (4,400)</u></u>
 LIABILITIES	
Due to other governments	<u>\$ (4,400)</u>
Total liabilities	<u><u>\$ (4,400)</u></u>

The notes to the financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2006

NOTE 1: SUMMARY OF ACCOUNTING POLICIES

This summary of significant accounting policies of the Regional Office of Education #41 is presented to assist in understanding the Regional Office of Education's financial statements. The financial statements and notes are representations of the Regional Office of Education's management who is responsible for the integrity and objectivity of the financial statements. The Illinois Administrative Code, Title 23 - Subtitle A, Chapter I, Section 110.115a, requires each Regional Office of Education to prepare annual financial statements in conformity with accounting principles generally accepted in the United States of America. These principles have been consistently applied in the preparation of the financial statements.

A. Financial Reporting Entity

The Regional Office of Education #41 was formed under the provisions of the State of Illinois, Illinois State Board of Education.

The Regional Superintendent is responsible for supervision and control of school districts within Regional Office of Education #41. This includes all aspects of supervision, reports and financial accounting of districts, which are considered by State law to be in the Regional Office of Education. In addition, the Regional Superintendent is charged with responsibility for township fund lands; registration of the names of applicants for scholarships to State controlled universities; examinations and related duties; visitation of public schools; direction of teachers and school officers; to serve as the official advisor and assistant of school officers and teachers; to conduct teachers institutes as well as to aid and encourage the formation of other teachers meetings and assist in their management; evaluate the schools in the Regional Office of Education; examine school treasurer's books, accounts, and vouchers; examine evidence of indebtedness; file and keep the returns of elections required to be returned to the Regional Superintendent's office; and file and keep the reports and statements returned by school treasurers and trustees.

The Regional Superintendent is also charged with the responsibilities of conducting a special census, when required; providing notice of money distributed to treasurers, board presidents, clerks, and secretaries of the school districts on or before each September 30; maintenance of a map and numbering of the Regional Office of Education's districts; providing township treasurers with a list of district treasurers; to inspect and approve building plans which comply with State law; to perform and report on annual building inspections; investigate bus drivers for valid bus driver permits and take related action as may be required; to maintain a list of unfilled teaching positions and to carry out other related duties required or permitted by law.

The Regional Superintendent is responsible for inspection and approval or rejection of school treasurer's bonds. The Regional Superintendent is also required to provide the State Board of Education with an affidavit showing that the treasurers of school districts under his control are properly bonded.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

The Regional Superintendent is also responsible for apportionment and payment of funds received from the State for the districts in the Regional Office of Education, or see that no payments are made unless the treasurer has filed or renewed appropriate bonds and that the district has certified publication of the annual financial report.

The Regional Superintendent is required to provide opinions and advice related to controversies under school law.

For the period ended June 30, 2006, the Regional Office of Education applied for, received, and administered numerous State and federal programs and grants in assistance and support of the educational activities of the school districts in Regional Office of Education #41. Such activities are reported as a single major fund (Education Fund).

B. Scope of the Reporting Entity

The Regional Office of Education reporting entity includes all related organizations for which they exercise oversight responsibility.

The Regional Office of Education has developed criteria to determine whether outside agencies with activities, which benefit the citizens of the region, including districts or joint agreements, which serve pupils from numerous regions, should be included in its financial reporting entity. The criteria include, but are not limited to, whether the Regional Office of Education exercises oversight responsibility (which includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters), scope of public service, and special financing relationships.

The districts and joint agreements have been determined not to be a part of the reporting entity after applying the manifesting of oversight, scope of public service, and special financing relationships criteria and are therefore excluded from the accompanying financial statements because the Regional Office of Education does not control the assets, operations, or management of the districts or joint agreements. In addition, the Regional Office of Education is not aware of any entity, which would exercise such oversight as to result in the Regional Office being considered a component unit of the entity.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Government-wide and fund financial statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the Regional Office of Education #41. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by grant revenues and intergovernmental revenues, are reported separately from business-type activities, which would generally rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the nonfiduciary assets and liabilities, with the differences reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of any debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

The accounts of the Regional Office of Education #41 are organized on the basis of funds and account group, each of which is considered a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts. The Regional Office of Education #41 maintains individual funds required by the State of Illinois and as established by purpose or agreements. The various funds are summarized by type in the financial statements. These funds and accounts are grouped by fund type. The Regional Office of Education's resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and by the means in which spending activities are controlled.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Government-wide and fund financial statements (continued)

The various funds used by the Regional Office of Education #41 are categorized as follows for presentation in the financial statements:

Governmental Fund Types

General Funds

The General Fund is used to account for all financial resources except those required to be accounted for in other funds. The General Fund includes the following funds:

Technology Hub - This fund receives a grant for the purpose of providing a coordinated, state-wide support infrastructure which assists the school districts in planning for, implementing, assessing results and educating school staff in the use of technology and telecommunications in curricular, instructional and administrative functions.

School Improvement - Accounts for the ROE/ISC Operations grant and transactions associated with the operations of the Regional Office of Education.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditures for specified purposes. The Special Revenue Funds include the following funds:

Education Fund - This fund is used to account for State and federal grant monies received for, and payment of, administering numerous grant awards. The Education Fund includes the following funds:

Truants Alternative and Optional Education Project - This fund is used to account for the grant monies received for, and payment of, providing truancy prevention programming and monitoring truants.

Vocational Adjustment Counselor - This fund is used to account for grant monies received for, and payment of, program costs to provide rehabilitation counseling for individuals in secondary work experience.

Title IV Community Service Grant - This fund is used to account for the grant monies received for, and payment of, community service activities for the Regional Safe School students.

Mathematics & Science Partnership - This fund is used to account for administration of monies for the Mathematics & Science Partnership program. The purpose of the grant is to target math and science teachers with content for professional development.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Government-wide and fund financial statements (continued)

Education Fund (continued)

Scientific Literacy - This fund is used to account for the grant monies received for, and payment of, school improvement plans for regional schools in the areas of math and science and to coordinate teacher development in math and science.

State Substance Abuse & Violence Prevention - This fund is used to account for the grant monies received for, and payment of, plans to stop substance abuse and violence in the school districts.

Regional Safe Schools - This fund is used to account for the grant monies received for, and the payment of, local, regional and statewide training opportunities and professional development for faculty and staff.

General State Aid - This fund is used to account for the grant monies received for, and the payment of, additional Regional Safe Schools monies.

State Standards & Assessment – The purpose of this grant is to support the development of school and district improvement planning with particular emphasis on data analysis. In addition, focus on school community relations is addressed.

Title I School Improvement – The purpose of this grant is to conduct targeted assistance with planning, professional development, and data analysis solely with struggling schools eligible to receive service.

Title II Teacher Quality – The purpose of this grant is to support the creation and implementation of professional activities of schools and district personnel that are in “Improvement Status”.

Title I - Reading First Part B SEA Fund - This fund is used to account for grant monies received for, and payment of, professional development in the area of reading for teachers in the Madison and Venice school districts.

Title I - Reading First Part B Training Academy – This fund is used to account for the grant monies received for, and payment of, professional development in the area of reading for K-3 teachers in Madison County.

Reading Improvement Statewide – This fund is used to account for the grant monies received for, and payment of, the design and implementation of professional development and resource materials for administrators and teachers in grades K-6.

STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2006

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Government-wide and fund financial statements (continued)

Lighthouse Educational Assistance Program - This fund is used to account for administration of an educational facility within a drug rehabilitation center.

Technology Enhancing Education Competitive Grant - This fund is used to account for administration of the monies used to enhance the technology resources for teachers in the Madison County area and also various other Regional Offices of Education.

Educational Therapy Center - This fund is used to account for funds related to the administration of a public day school which provides special education and therapeutic services for behaviorally disordered and emotionally disturbed students. The Educational Therapy Center Fund includes the following funds:

Unemployment Reserve - This fund is used to accumulate resources to be used to pay for unemployment and related expenses should the Educational Therapy Center cease to exist.

Lunch Account Program - This fund is used to account for the State monies received for, and payment of, providing free and reduced priced meals.

Day Program - This fund is used to account for grant monies and local monies received for providing special education and therapeutic services to behaviorally disordered and emotionally disturbed students.

GED - This fund was established to administer the high school level test of General Educational Development.

Bus Driver Training - This fund is used to account for the issuance of school bus driver permits and to sponsor instructional training courses for school bus drivers.

Supervisory Expense - The Regional Superintendent receives an annual award of \$1,000 from the State Board of Education to pay for travel and meeting expenses.

Administrative - This fund is used to account for reimbursement from other funds for office supplies used by those funds. It also prepaid teacher fees for a Pre-K conference and was reimbursed for the fees.

Youth and Camp Success - This fund is used to account for monies to provide a positive, anti-drug environment at Lake Williamson for students in grades 6-12. The program is administered in conjunction with the Madison County Health Department.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Government-wide and fund financial statements (continued)

Standards Aligned Classroom - This fund is used to account for administration of monies for Learning Teams involved with the Standards Aligned Classroom Project.

Technology Innovative Challenge – This grant is used to further expand, support and measure the Leaders in Technology Enhanced Schools Project objectives, focusing on how technology impacts students' learning.

Lincoln Charter School - This fund is used to account for administration of monies associated with the start up and operations of the Lincoln School District which opened in 2005.

Proprietary Fund Types

Enterprise Funds

Enterprise Funds are used to account for resources from fees charged directly to those entities or individuals that use its services. The Enterprises Funds include the following funds:

Technology Hub Enterprise - This fund is used to account for money received from schools for setup fees for e-mail addresses the County sets up for the schools.

Workshop - This fund is used to account for workshops financed through user fees.

Institute - The Institute Fund is authorized by Section 3-12 of the School Code (105 ILCS 5/3-12). All examination, registration and renewal fees are paid into the Institute Fund, which is used to defray administrative expenses incidental to teacher's institutes, workshops, or meetings of a professional nature. All funds generated remain restricted until expended only on the aforementioned activities.

Fiduciary Fund Type

Agency Funds

Agency Funds are used to account for assets held by the Madison County Regional Office of Education #41 as an agent for other governments. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency Funds include the following funds:

Teacher Retirement System and Teacher Health Insurance Supplement – This fund is used to collect the retirement contributions and withholdings from all other funds to be paid to the State retirement fund.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement focus, basis of accounting, and financial statement presentation

The general accounting records for the various funds of the Regional Office of Education #41 are maintained substantially on a cash basis. Revenues are recorded when cash is received and expenditures are recorded when cash payments are made. However, the accounting principles used to present the financial statements are in conformity with generally accepted accounting principles for governmental entities.

The government-wide financial statements are reported using the *economic resources measurement focus* and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues associated with the current fiscal period, but not received before fiscal year end are reported as deferred revenue.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, expenditures related to claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental funds.

Proprietary fund operating revenues, such as charges for fees and services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary services.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. Regional Office of Education #41 has elected not to follow subsequent private-sector guidance.

The accounting policies and financial reporting practices of the Regional Office of Education #41 conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Data

Overall budgeting is not a legal requirement for the Regional Office of Education. Formal budgets are not adopted for all funds; therefore budgetary comparison schedules are not included in the financial statements.

The Regional Office of Education is the recipient of monies from the Illinois State Board of Education for certain accounts within the general fund and for most accounts in the education fund on which ISBE requires budgetary comparison to actual results. Comparisons of budgeted and actual results for various programs are reported as supplementary information: Technology Hub, School Improvement, Truants Alternative and Optional Education Partnership, Vocational Adjustment Counselor, Mathematics & Science Partnership, Regional Safe Schools, State Standards and Assessment, Title I School Improvement, Title I Reading First Part B SEA Funds, Title I Reading First Part B Training Academy, Reading Improvement Statewide, Technology Enhancing Education – Competitive, Technology Innovative Challenge, and Lincoln Charter School.

F. Cash Flows

For purposes of the Statement of Cash Flows, the Regional Office of Education considers all cash and all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

G. Capital Assets

Capital assets, equipment, are recorded in the applicable governmental or business-type activity columns in the government-wide financial statements. Expenditures for the acquisition are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The costs of capital assets are recorded as expenditures in the acquiring fund at the time of purchase and any proceeds from sales are recorded as receipts at the time of disposal in the governmental funds' statements for governmental activities.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are recorded at estimated fair value in the year received. Capital assets are defined by the Regional Office of Education #41 as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year.

The provision for depreciation on fixed assets is provided on a straight-line basis. Estimated useful lives are as follows:

Equipment	5-10 years
Office equipment	3-7 years

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Fund Equity

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. Special revenue funds are reserved to finance specific functions or activities of each fund.

I. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America as they relate to governmental entities requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

J. Compensated Absences

All Regional Office employees must use their annual vacation before November 30, and an accrual for this liability as of June 30 has been provided in the government-wide financial statements.

Accumulated sick pay benefits are available to all full-time employees to use in future years, up to 480 hours. They are eligible to be compensated for these unused sick days after attaining age 55 and employed for eight years. They will be compensated upon retirement only, if terminated, their unused sick days are forfeited. Per GASB Statement 16, we used the Vesting Method to calculate the necessary accrual. Under this method, the liability is measured based on those that are eligible to receive retirement payments and those who are expected to become eligible in future years.

As required by *Government Accounting Standards Board Interpretation 6*, the accrual for unused vacation and sick time is reflected when incurred in the government-wide financial statements, and is reflected in the governmental funds only when the liability is expected to be liquidated with expendable available financial resources.

K. New Accounting Pronouncements

Effective for the year ending June 30, 2006, the Regional Office of Education adopted GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation (an amendment of GASB Statement No. 34)*, and GASB Statement No. 47, *Accounting for Termination Benefits*. There was no significant impact on the Regional Office of Education's financial statements as a result of adopting these statements.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2006**

NOTE 2: CASH AND INVESTMENTS

Cash and investments as of June 30, 2006 are classified in the financial statements as follows:

Statement of Net Assets:	
Cash and investments	\$ 2,074,327
Fiduciary funds (agency funds):	
Cash and investments	<u>(6,012)</u>
 Total cash and investments	 <u>\$ 2,068,315</u>

Cash and investments as of June 30, 2006 consist of the following:

Petty cash	\$ 5,142
Deposits with financial institution	1,707,697
Investments	<u>355,476</u>
	 <u>\$ 2,068,315</u>

Cash Deposits

At June 30, 2006, the Regional Office of Education had one depository account with the Bank of Edwardsville. The Regional Office of Education does not have a deposit policy. The account is a Money Market account with an annual interest rate of 3.81 at June 30, 2006.

Insured	\$ 100,000
Collateralized	
Collateral held by pledging bank's trust department in the Regional Office of Education's name	<u>1,607,697</u>
 Total deposits	 <u>\$ 1,707,697</u>

Investments

At June 30, 2006, Regional Office of Education #41 had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Associated Bank - Certificate of Deposit	7/7/2006	\$ 151,180
Premier Bank of Jacksonville - Certificate of Deposit	12/30/2006	102,148
Premier Bank of Jacksonville - Certificate of Deposit	12/30/2006	<u>102,148</u>
		 <u>\$ 355,476</u>

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2006**

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Regional Office of Education does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The Regional Office of Education is allowed to invest in securities as authorized by Sections 2 and 6 of the Public Funds Investment Act (30 ILCS 235/2 and 6); and Section 8-7 of the School Code. The Regional Office of Education has no investment policy that would further limit its investment choices. As of June 30, 2006, the Regional Office of Education was in compliance with these guidelines.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of a financial institution, the Regional Office of Education will not be able to recover its investments or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2006, \$0 of the investment balance was exposed to custodial credit risk as uninsured and uncollateralized.

Concentration of Credit Risk

The Regional Office of Education places no limit on the amount invested in any one issuer. All of the Regional Office of Education's investments are in Certificates of Deposit with Premier Bank of Jacksonville (57%) and Associated Bank (43%).

NOTE 3: CAPITAL ASSETS

The Regional Office of Education #41's management has elected to capitalize only assets individually costing \$500 or more for reporting purposes.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2006**

NOTE 3: CAPITAL ASSETS (CONTINUED)

Capital asset activity for fiscal year 2006 was as follows:

Governmental activities

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
Assets being depreciated:				
Equipment	\$ 498,307	\$ 173,552	\$ -	\$ 671,859
Less Accumulated Depreciation:	\$ 353,444	\$ 69,684	\$ -	\$ 423,128
Governmental activity capital assets, net	<u>\$ 144,863</u>	<u>\$ 103,868</u>	<u>\$ -</u>	<u>\$ 248,731</u>

Depreciation was charged to the Instructional Services activity.

Business-type activities - Enterprise Fund

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
Equipment	\$ 2,500	\$ -	\$ -	\$ 2,500
Less Accumulated depreciation:	<u>269</u>	<u>500</u>	<u>-</u>	<u>769</u>
Business-type activity capital assets, net	<u>\$ 2,231</u>	<u>\$ (500)</u>	<u>\$ -</u>	<u>\$ 1,731</u>

NOTE 4: COMPENSATED ABSENCES

The ROE records a liability associated with compensated absences. During the fiscal year, the amount in this account increased by \$23,973. At June 30, 2006, the balance in this account was \$180,697.

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
Compensated absences	<u>\$ 156,724</u>	<u>\$23,973</u>	<u>\$ -</u>	<u>\$ 180,697</u>

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2006**

NOTE 5: ON-BEHALF PAYMENTS

Salaries of the Regional Superintendent and the Assistant Regional Superintendent are paid by the State of Illinois, and a significant portion of the operating expenditures of Madison County Regional Office of Education #41 are paid by Madison County, Illinois, in accordance with the statutes. The breakdown of the State and County on-behalf payments for the year ended June 30, 2006 is as follows:

Regional Superintendent Salary	\$ 88,540
Assistant Regional Superintendent Salary	79,686
Regional Superintendent Benefits (Includes State paid insurance)	10,713
Assistant Regional Superintendent Benefits (Includes State paid insurance)	16,725
Teacher Retirement System pension contributions	140,796
Salaries of Office worker's paid by County	509,822
Rent for Office Space	38,880
County share of health insurance	60,996
County retirement contributions	<u>29,486</u>
Total	<u>\$ 975,644</u>

Salary and benefit data for the Regional Superintendent and the Assistant Regional Superintendent was calculated based on data provided by the Illinois State Board of Education.

NOTE 6: INTERFUND TRANSFERS

Following is a summary of interfund transfers for the year ended June 30, 2006:

	<u>Transferred In</u>	<u>Transferred Out</u>
Education Fund	\$ -	\$ 45
Special Revenue Funds		
Other Non-major Funds	14,285	1
Enterprise Funds		
Technology Hub Enterprise Workshop	- 45	14,284 -
Total	<u>\$ 14,330</u>	<u>\$ 14,330</u>

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2006**

NOTE 7: DUE TO/FROM OTHER GOVERNMENTS

The Regional Office of Education #41's General Fund, Agency Fund and various grant programs have funds due to and from various other governmental units which consist of the following:

General Fund

Due From Other Governments:

Illinois State Board of Education	<u>\$ 23,473</u>
-----------------------------------	------------------

Due To Other Governments:

Illinois State Board of Education	<u>\$ 18,981</u>
-----------------------------------	------------------

Agency Fund

Due To Other Governments:

State of Illinois – TRS & THIS	<u>\$ 4,400</u>
--------------------------------	-----------------

NOTE 8: PENSION AND RETIREMENT COMMITMENTS

The Regional Office of Education participates in the Teacher's Retirement System of the State of Illinois (TRS). Members of TRS include all active non-annuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The Regional Office of Education's covered payroll for the year ended June 30, 2006 was \$1,826,057.

TRS is a cost-sharing multiple-employer defined benefit pension plan that was created by the Illinois legislature for the benefit of Illinois public school teachers employed outside the city of Chicago. The Illinois Pension Code outlines the benefit provisions of TRS, and amendments to the plan can be made only by legislative action with the Governor's approval. The State of Illinois maintains primary responsibility for the funding of the plan, but contributions from participating employers and members are also required. The TRS Board of Trustees is responsible for the system's administration.

TRS members include all active non-annuitants who are employed by a TRS-covered employer to provide services for which teacher certification is required. The active member contribution rate for the year ended June 30, 2006, was 9.4 percent of creditable earnings. These contributions, which may be paid on behalf of employees by the employer, are submitted to TRS by the employer. In addition, virtually all employers and members pay a contribution to the Teacher's Health Insurance Security (THIS) Fund, a separate fund in the State Treasury that is not a part of this retirement plan. The employer THIS fund contribution was 0.6 percent during the year ended June 30, 2006, and the member THIS Fund health insurance contribution was 0.80 percent.

The State of Illinois makes contributions directly to TRS on behalf of the Regional Office's TRS-covered employees.

- **On-behalf contributions.** The State of Illinois makes employer pension contributions on behalf of the Regional Office. For the year ended June 30, 2006, State of Illinois contributions were based on 7.06 percent of creditable earnings, and the Regional Office recognized revenues and expenditures of \$140,796 in pension contributions that the State of Illinois paid directly to TRS. For the years ended June 30, 2005 and June 30, 2004, the State of Illinois contribution rates as percentages of creditable earnings were 11.76 percent (\$208,861) and 13.98 percent (\$210,421), respectively.

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2006**

NOTE 8: PENSION AND RETIREMENT COMMITMENTS (CONTINUED)

The Regional Office of Education makes three other types of employer contributions directly to TRS.

- **2.2 formula contributions.** Employers contribute 0.58 percent of creditable earnings for the 2.2 formula change. Contributions for the year ended June 30, 2006 were \$10,591. Contributions for the years ending June 30, 2005, and June 30, 2004, were \$9,325 and \$8,133, respectively.
- **Federal and trust fund contributions.** When TRS members are paid from federal and trust funds administered by the Regional Office, there is a statutory requirement for the Regional Office to pay an employer pension contribution from those funds. Under a policy adopted by the TRS Board of Trustees that was first effective in the fiscal year ended June 30, 2006, employer contributions for employees paid from federal and trust funds will be the same as the state contribution rate to TRS. For the year ended June 30, 2006, the employer pension contribution was 7.06 percent of salaries paid from federal and trust funds. For the two years ended June 30, 2005, the employer pension contribution was 10.5 percent of salaries paid from those funds. For the year ended June 30, 2006, salaries totaling \$149,885 were paid from federal and trust funds that required employer contributions of \$10,582. For the years ended June 30, 2005 and June 30, 2004, required Regional Office contributions were \$31,185 and \$16,689, respectively.
- **Early retirement option.** The Regional Office is also required to make one-time employer contributions to TRS for members retiring under the Early Retirement Option (ERO). The payments vary depending on age and salary of the member and under which ERO program the member retires. Under Public Act 94-0004, a "Pipeline ERO" program is provided for members to retire under the same terms as the ERO program that expired on June 30, 2005, provided they meet certain conditions and retire on or before July 1, 2007. If members do not meet these conditions, they can retire under the "Modified ERO" program which requires higher member and employer contributions to TRS. Also, under Modified ERO, Public Act 94-0004 eliminates the waiver of member and employer ERO contributions that had been in effect for members with 34 years of service (unless the member qualifies for the Pipeline ERO). Under the ERO program that expired on June 30, 2005 and the Pipeline ERO, the maximum employer contribution is 100 percent of the member's highest salary used in the final average salary calculation. Under the Modified ERO, the maximum employer contribution is 117.5 percent. Both the 100 percent and 117.5 percent maximums apply when the member is age 55 at retirement. For the year ended June 30, 2006, the Regional Office paid \$0 to TRS for employer contributions under the Pipeline ERO and Modified ERO programs. For the year ended June 30, 2005 the Regional Office paid \$34,789 in employer ERO contributions and there were no employer contributions required for 2004.

Further information

TRS financial information, an explanation of TRS benefits, and descriptions of member, employer, and state funding requirements can be found in the TRS *Comprehensive Annual Financial Report* for the year ended June 30, 2005. The report for the year ended June 30, 2006 is expected to be available in late 2006. The reports may be obtained by writing to the Teacher's Retirement System of the State of Illinois, P.O. Box 19253, 2815 West Washington Street, Springfield, Illinois 62794-9253. The most recent report is also available on the TRS website at www.trs.illinois.gov.

Non-certified employees are paid by, and considered employees of, county government. As such, related retirement obligations associated with these employees are the responsibilities of county government.

STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2006

NOTE 9: DEFICIT FUND BALANCE

At June 30, 2006, the Lincoln Charter School Fund, the Title I School Improvement Fund, and the School Improvement Fund had a deficit fund balance as follows:

Lincoln Charter School	(\$93,875)
Title I School Improvement	(\$2,435)
School Improvement	(\$4,071)

It is expected to correct itself in future years through ordinary operations.

NOTE 10: COMMITMENTS AND CONTINGENCIES

In the normal course of operations, the Regional Office receives grant funds from various federal and State agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Significant losses are covered by the commercial insurance for all major programs: property, liability, and workman's compensation. During the year ended June 30, 2006 there were no significant reductions in coverage. Also, there have been no settlement amounts which have exceeded insurance coverage in the past three years.

NOTE 11: RESTATEMENT OF FUND BALANCES

Beginning fund balances were restated to properly recognize the liability for compensated absences on the government-wide level only. As a result of this restatement, the beginning fund balance in the Technology Hub account within the General Fund increased \$156,724.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

**STATE OF ILLINOIS
REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2006**

The following schedules provide additional detail on balances and activities of Regional Office of Education #41 government and its operations.

Major Funds

The general fund and the education funds are comprised of various fund accounts that provide additional control and information about specific resources and expenditures of these funds. More detailed schedules of the general fund and the education fund have been provided.

Nonmajor Funds

Nonmajor governmental funds consist of all special revenue funds which are not included in the education fund. Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes. Schedules have been provided for all nonmajor special revenue funds.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
GENERAL FUND
COMBINING SCHEDULE OF ACCOUNTS
June 30, 2006**

	Technology Hub	School Improvement	Total
ASSETS			
Cash (overdrafts)	\$ 82,276	\$ (3,987)	\$ 78,289
TOTAL ASSETS	\$ 82,276	\$ (3,987)	\$ 78,289
LIABILITIES AND FUND BALANCE (DEFICIT)			
LIABILITIES			
Accounts payable	\$ 1,592	\$ 84	\$ 1,676
Due to other governments	517	-	517
Accrued payroll	3,499	-	3,499
Total liabilities	5,608	84	5,692
FUND BALANCE			
Fund balance (deficit) - unreserved	76,668	(4,071)	72,597
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	\$ 82,276	\$ (3,987)	\$ 78,289

See notes to the financial statements and independent auditor's report.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
GENERAL FUND ACCOUNTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the Year Ended June 30, 2006**

	<u>Technology Hub</u>	<u>School Improvement</u>	<u>Total</u>
REVENUES			
State revenue	\$ 308,318	\$ 102,202	\$ 410,520
On-behalf revenue	-	975,644	975,644
Interest	3,482	22	3,504
Total Revenues	<u>311,800</u>	<u>1,077,868</u>	<u>1,389,668</u>
EXPENDITURES			
Salaries	173,907	63,077	236,984
Benefits	31,828	10,296	42,124
Purchased services	73,359	21,775	95,134
Supplies and materials	2,541	6,835	9,376
Capital outlay	33,059	-	33,059
Other	-	333	333
On-behalf payments	-	975,644	975,644
Total Expenditures	<u>314,694</u>	<u>1,077,960</u>	<u>1,392,654</u>
Revenues over/(under) expenditures	(2,894)	(92)	(2,986)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(2,894)	(92)	(2,986)
Fund Balance, Beginning of year (restated)	<u>79,562</u>	<u>(3,979)</u>	<u>75,583</u>
Fund Balance, End of year	<u>\$ 76,668</u>	<u>\$ (4,071)</u>	<u>\$ 72,597</u>

See notes to the financial statements and independent auditor's report.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND ACCOUNTS
 For the Year Ended June 30, 2006

	Technology Hub			School Improvement			Total	
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual
REVENUES								
State revenue	\$ 308,318	\$ 308,318	\$ -	\$ 102,202	\$ 102,202	\$ -	\$ 410,520	\$ 410,520
Federal revenue	-	-	-	-	-	-	-	-
On-behalf revenue	-	-	-	-	975,644	975,644	-	975,644
Interest	-	3,482	3,482	-	22	22	-	3,504
Other	-	-	-	-	-	-	-	-
Total revenues	<u>308,318</u>	<u>311,800</u>	<u>3,482</u>	<u>102,202</u>	<u>1,077,868</u>	<u>975,666</u>	<u>410,520</u>	<u>1,389,668</u>
								<u>979,148</u>
EXPENDITURES								
Salaries	173,907	173,907	-	63,300	63,077	223	237,207	236,984
Benefits	31,180	31,828	(648)	10,000	10,296	(296)	41,180	42,124
Purchased services	66,558	73,359	(6,801)	22,200	21,775	425	88,758	95,134
Supplies and materials	3,619	2,541	1,078	6,200	6,835	(635)	9,819	9,376
Capital outlay	33,054	33,059	(5)	-	-	-	33,054	33,059
Other	-	-	-	502	333	169	502	333
On-behalf payments	-	-	-	-	975,644	(975,644)	-	975,644
Total expenditures	<u>308,318</u>	<u>314,694</u>	<u>(6,376)</u>	<u>102,202</u>	<u>1,077,960</u>	<u>(975,758)</u>	<u>410,520</u>	<u>1,392,654</u>
								<u>(975,644)</u>
Revenue over/(under) expenditures	\$ -	(2,894)	\$ (2,894)	\$ -	(92)	\$ (92)	\$ -	(2,986)
OTHER FINANCING SOURCES (USES)								
Operating transfers in	-	-	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Net change in fund balances		(2,894)			(92)			(2,986)
Fund Balance, Beginning of year		<u>79,562</u>			<u>(3,979)</u>			<u>75,583</u>
Fund Balance, End of year		<u>\$ 76,668</u>			<u>\$ (4,071)</u>			<u>\$ 72,597</u>

See notes to the financial statements and independent auditor's report.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
EDUCATION FUND
COMBINING SCHEDULE OF ACCOUNTS
June 30, 2006

ASSETS	Truants		Vocational		Title IV		Mathematics &		Scientific		State	
	Alternative & Optional Education Project	Adjustment Counselor	Community Service Grant	Science Partnership	Literacy	Abuse & Violence Prevention	Regional Safe Schools					
Cash (overdrafts)	\$ 71	\$ 28,526	\$ 4,718	\$ 22,931	\$ 1,146	\$ 7,521	\$ 43,189					
Accounts receivable	-	3,400	-	122,535	-	-	-					
Due from other governments	-	-	-	-	-	-	-					
Total Assets	\$ 71	\$ 31,926	\$ 4,718	\$ 145,466	\$ 1,146	\$ 7,521	\$ 43,189					

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ -	\$ 2,431	\$ -	\$ 64,932	\$ -	\$ -	\$ 907
Accrued payroll	-	2,756	-	500	-	-	26,596
Due to other governments	-	1,000	4,718	-	1,146	7,521	804
Deferred revenue	-	-	-	80,034	-	-	-
Total liabilities	-	6,187	4,718	145,466	1,146	7,521	28,307

FUND BALANCE

Fund Balance - Unreserved	71	25,739	-	-	-	-	14,882
Total Liabilities and Fund Balance (Deficit)	\$ 71	\$ 31,926	\$ 4,718	\$ 145,466	\$ 1,146	\$ 7,521	\$ 43,189

See notes to the financial statements and independent auditor's report.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
EDUCATION FUND
COMBINING SCHEDULE OF ACCOUNTS
June 30, 2006

ASSETS	General State Aid	State Standards & Assessment	Title I School Improvement	Title II Teacher Quality	Title I		Title I Reading		Reading Improvement Statewide	Total
					Reading Part B SEA	First Training Academy	First Part B	Reading Improvement		
Cash (overdrafts)	\$ 375,806	\$ (14,608)	\$ (7,024)	\$ -	\$ 142	\$ (13,861)	\$ 3,644	\$ 3,644	\$ 452,201	
Accounts receivable	-	-	-	-	-	17,059	-	-	142,994	
Due from other governments	-	17,884	4,589	-	-	-	-	-	22,473	
Total Assets	\$ 375,806	\$ 3,276	\$ (2,435)	\$ -	\$ 142	\$ 3,198	\$ 3,644	\$ 3,644	\$ 617,668	

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 3,024	\$ -	\$ -	\$ -	\$ -	\$ 135	\$ 3,631	\$ 3,631	\$ 75,060
Accrued payroll	2,164	983	-	-	-	400	-	-	33,399
Due to other governments	-	-	-	-	-	-	-	-	15,189
Deferred revenue	-	441	-	-	142	2,663	13	13	83,293
Total liabilities	5,188	1,424	-	-	142	3,198	3,644	3,644	206,941

FUND BALANCE

Fund Balance - Unreserved	370,618	1,852	(2,435)	-	-	-	-	-	410,727
Total Liabilities and Fund Balance (Deficit)	\$ 375,806	\$ 3,276	\$ (2,435)	\$ -	\$ 142	\$ 3,198	\$ 3,644	\$ 3,644	\$ 617,668

See notes to the financial statements and independent auditor's report.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
EDUCATION FUND ACCOUNTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2006

	Truants Alternative & Optional Education Project	Vocational Adjustment Counselor	Title IV Community Service Grant	Mathematics & Science Partnership	Scientific Literacy	State Substance Abuse & Violence Prevention	Regional Safe Schools
REVENUES							
Local revenue	\$ -	\$ 53,064	\$ -	\$ -	\$ -	\$ -	\$ -
State revenue	57,172	13,600	-	-	-	-	366,479
Federal revenue	-	116,569	-	114,980	-	-	-
Interest	49	396	-	-	-	-	289
Total revenues	57,221	183,629	-	114,980	-	-	366,768
EXPENDITURES							
Salaries	50,090	140,135	-	16,805	-	-	306,941
Benefits	7,079	28,950	-	1,343	-	-	48,573
Purchased services	-	8,777	-	93,538	-	-	10,000
Supplies and materials	-	543	-	3,294	-	-	1,254
Capital Outlay	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Payments to other governmental units	-	-	-	-	-	-	-
Total expenditures	57,169	178,405	-	114,980	-	-	366,768
Revenue over (under) expenditures	52	5,224	-	-	-	-	-
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Net change in fund balances	52	5,224	-	-	-	-	-
Fund Balance (Deficit), Beginning of year	19	20,515	-	-	-	-	14,882
Fund Balance (Deficit), End of year	\$ 71	\$ 25,739	\$ -	\$ -	\$ -	\$ -	\$ 14,882

See notes to the financial statements and independent auditor's report.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
EDUCATION FUND ACCOUNTS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2006

	General State Aid	State Standards & Assessment	Title I School Improvement	Title II Teacher Quality	Title I Reading Part B SEA	Title I Reading First Part B Training Academy	Reading Improvement Statewide	Total
REVENUES								
Local revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 53,064
State revenue	227,319	54,892	-	-	-	-	4,000	723,462
Federal revenue	-	-	74,178	-	4,632	35,567	-	345,926
Interest	11,293	-	53	-	-	-	-	12,080
Total revenues	<u>238,612</u>	<u>54,892</u>	<u>74,231</u>	<u>-</u>	<u>4,632</u>	<u>35,567</u>	<u>4,000</u>	<u>1,134,532</u>
EXPENDITURES								
Salaries	116,357	43,930	55,192	-	3,362	17,640	-	750,452
Benefits	38,660	7,460	18,889	-	226	597	-	151,777
Purchased services	67,340	1,650	2,549	-	1,044	6,878	3,845	195,621
Supplies and materials	23,370	-	36	-	-	10,452	155	39,104
Capital Outlay	18,700	-	-	-	-	-	-	18,700
Other	5,108	-	-	-	-	-	-	5,108
Payments to other governmental units	-	-	-	-	-	-	-	-
Total expenditures	<u>269,535</u>	<u>53,040</u>	<u>76,666</u>	<u>-</u>	<u>4,632</u>	<u>35,567</u>	<u>4,000</u>	<u>1,160,762</u>
Revenue over (under) expenditures	<u>(30,923)</u>	<u>1,852</u>	<u>(2,435)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,230)</u>
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	(45)	-	-	-	(45)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45)</u>
Net change in fund balances	<u>(30,923)</u>	<u>1,852</u>	<u>(2,435)</u>	<u>(45)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,275)</u>
Fund Balance (Deficit), Beginning of year	<u>401,541</u>	<u>-</u>	<u>-</u>	<u>45</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>437,002</u>
Fund Balance (Deficit), End of year	<u>\$ 370,618</u>	<u>\$ 1,852</u>	<u>\$ (2,435)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 410,727</u>

See notes to the financial statements and independent auditor's report.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
For the Year Ended June 30, 2006

	Truants Alternative / Optional Education Project			Vocational Adjustment Counselor		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Local revenue	\$ -	\$ -	\$ -	\$ -	\$ 53,064	\$ 53,064
State revenue	57,172	57,172	-	-	13,600	13,600
Federal revenue	-	-	-	116,569	116,569	-
Interest	-	49	49	-	396	396
Total revenues	<u>57,172</u>	<u>57,221</u>	<u>49</u>	<u>116,569</u>	<u>183,629</u>	<u>67,060</u>
EXPENDITURES						
Salaries	50,090	50,090	-	80,652	140,135	(59,483)
Benefits	7,082	7,079	3	31,557	28,950	2,607
Purchased services	-	-	-	-	8,777	(8,777)
Supplies and materials	-	-	-	-	543	(543)
Capital Outlay	-	-	-	-	-	-
Other	-	-	-	4,360	-	4,360
Payments to other governmental units	-	-	-	-	-	-
Total expenditures	<u>57,172</u>	<u>57,169</u>	<u>3</u>	<u>116,569</u>	<u>178,405</u>	<u>(61,836)</u>
Revenue over (under) expenditures	<u>\$ -</u>	<u>52</u>	<u>\$ 52</u>	<u>\$ -</u>	<u>5,224</u>	<u>\$ 5,224</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Net change in fund balances		52			5,224	
Fund Balance, Beginning of year		19			20,515	
Fund Balance, End of year		<u>71</u>			<u>25,739</u>	

See notes to the financial statements and independent auditor's report.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
For the Year Ended June 30, 2006

	Mathematics & Science Partnership (2006)		Mathematics & Science Partnership (2005)		Variance Positive (Negative)	July 1, 2004 - June 30, 2005 Actual	July 1, 2005 - June 30, 2006 Actual	Variance Positive (Negative)
	Budget	Actual	Budget	Actual				
REVENUES								
Local revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State revenue	-	-	-	-	-	-	-	-
Federal revenue	162,535	84,394	146,598	116,012	(78,141)	30,586	-	-
Interest	-	-	-	-	-	-	-	-
Total revenues	<u>162,535</u>	<u>84,394</u>	<u>146,598</u>	<u>116,012</u>	<u>(78,141)</u>	<u>30,586</u>	<u>-</u>	<u>-</u>
EXPENDITURES								
Salaries	9,100	7,301	48,450	40,635	1,799	9,504	(1,689)	
Benefits	1,500	555	8,698	8,171	945	788	(261)	
Purchased services	140,935	73,684	88,450	33,822	67,251	19,854	34,774	
Supplies and materials	11,000	2,854	1,000	1,371	8,146	440	(811)	
Capital Outlay	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Payments to other governmental units	-	-	-	-	-	-	-	-
Total expenditures	<u>162,535</u>	<u>84,394</u>	<u>146,598</u>	<u>116,012</u>	<u>78,141</u>	<u>30,586</u>	<u>(32,013)</u>	<u>-</u>
Revenue over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Net change in fund balances	-	-	-	-	-	-	-	-
Fund Balance, Beginning of year	-	-	-	-	-	-	-	-
Fund Balance, End of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

See notes to the financial statements and independent auditor's report.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
For the Year Ended June 30, 2006

	Regional Safe Schools			State Standards & Assessment		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Local revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State revenue	366,479	366,479	-	142,440	54,892	(87,548)
Federal revenue	-	-	-	-	-	-
Interest	-	289	289	-	-	-
Total revenues	<u>366,479</u>	<u>366,768</u>	<u>289</u>	<u>142,440</u>	<u>54,892</u>	<u>(87,548)</u>
EXPENDITURES						
Salaries	305,615	306,941	(1,326)	142,440	43,930	98,510
Benefits	49,611	48,573	1,038	-	7,460	(7,460)
Purchased services	10,000	10,000	-	-	1,650	(1,650)
Supplies and materials	1,253	1,254	(1)	-	-	-
Capital Outlay	-	-	-	-	-	-
Other	-	-	-	-	-	-
Payments to other governmental units	-	-	-	-	-	-
Total expenditures	<u>366,479</u>	<u>366,768</u>	<u>(289)</u>	<u>142,440</u>	<u>53,040</u>	<u>89,400</u>
Revenue over (under) expenditures	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,852</u>	<u>\$ 1,852</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances					1,852	
Fund Balance, Beginning of year		14,882			-	
Fund Balance, End of year		<u>\$ 14,882</u>			<u>\$ 1,852</u>	

See notes to the financial statements and independent auditor's report.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
For the Year Ended June 30, 2006

	Title I School Improvement			Title I - Reading First Part B SEA		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Local revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State revenue	-	-	-	-	-	-
Federal revenue	258,000	74,178	(183,822)	4,632	4,632	-
Interest	-	53	53	-	-	-
Total revenues	<u>258,000</u>	<u>74,231</u>	<u>(183,769)</u>	<u>4,632</u>	<u>4,632</u>	<u>-</u>
EXPENDITURES						
Salaries	258,000	55,192	202,808	3,362	3,362	-
Benefits	-	18,889	(18,889)	225	226	(1)
Purchased services	-	2,549	(2,549)	645	1,044	(399)
Supplies and materials	-	36	(36)	400	-	400
Capital Outlay	-	-	-	-	-	-
Other	-	-	-	-	-	-
Payments to other governmental units	-	-	-	-	-	-
Total expenditures	<u>258,000</u>	<u>76,666</u>	<u>181,334</u>	<u>4,632</u>	<u>4,632</u>	<u>-</u>
Revenue over (under) expenditures	<u>\$ -</u>	<u>(2,435)</u>	<u>\$ (2,435)</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances		(2,435)				
Fund Balance, Beginning of year		-			-	
Fund Balance, End of year		<u>\$ (2,435)</u>			<u>\$ -</u>	

See notes to the financial statements and independent auditor's report.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
BUDGETARY COMPARISON SCHEDULE
EDUCATION FUND ACCOUNTS
For the Year Ended June 30, 2006

	Title I - Reading First Part B Training Academy (2006)			Title I - Reading First Part B Training Academy (2005)			
	Budget	Actual	Variance Positive (Negative)	Budget	July 1, 2004 - June 30, 2005 Actual	July 1, 2005 - June 30, 2006 Actual	Variance Positive (Negative)
REVENUES							
Local revenue	\$ -	-	\$ -	\$ -	-	\$ -	\$ -
State revenue	-	-	-	-	-	-	-
Federal revenue	49,573	29,324	(20,249)	37,954	23,713	6,243	(7,998)
Interest	-	-	-	-	-	-	-
Total revenues	<u>49,573</u>	<u>29,324</u>	<u>(20,249)</u>	<u>37,954</u>	<u>23,713</u>	<u>6,243</u>	<u>(7,998)</u>
EXPENDITURES							
Salaries	15,000	12,770	2,230	22,800	11,148	4,870	6,782
Benefits	773	(50)	823	2,300	742	647	911
Purchased services	21,425	6,236	15,189	8,600	6,719	642	1,239
Supplies and materials	12,375	10,368	2,007	4,254	5,104	84	(934)
Capital Outlay	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Payments to other governmental units	-	-	-	-	-	-	-
Total expenditures	<u>49,573</u>	<u>29,324</u>	<u>20,249</u>	<u>37,954</u>	<u>23,713</u>	<u>6,243</u>	<u>7,998</u>
Revenue over (under) expenditures	\$ -	-	\$ -	\$ -	-	-	\$ -
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-
Net change in fund balances	-	-	-	-	-	-	-
Fund Balance, Beginning of year	-	-	-	-	-	-	-
Fund Balance, End of year	\$ -	<u>-</u>	\$ -	\$ -	<u>-</u>	\$ -	<u>-</u>

See notes to the financial statements and independent auditor's report.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 For the Year Ended June 30, 2006**

	Reading Improvement Statewide		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Local revenue	-	-	\$ -
State revenue	4,000	4,000	-
Federal revenue	-	-	-
Interest	-	-	-
Total revenues	<u>4,000</u>	<u>4,000</u>	<u>-</u>
EXPENDITURES			
Salaries	-	-	-
Benefits	-	-	-
Purchased services	3,500	3,845	(345)
Supplies and materials	500	155	345
Capital Outlay	-	-	-
Other	-	-	-
Payments to other governmental units	-	-	-
Total expenditures	<u>4,000</u>	<u>4,000</u>	<u>-</u>
Revenue over (under) expenditures	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-
Fund Balance, Beginning of year	-	-	-
Fund Balance, End of year	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>

See notes to the financial statements and independent auditor's report.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
BUDGETARY COMPARISON SCHEDULE
TECHNOLOGY ENHANCING EDUCATION COMPETITIVE GRANT (2006)
For the Year Ended June 30, 2006

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Local revenue	\$ -	\$ -	\$ -
State revenue	-	-	-
Federal revenue	374,611	374,611	-
Interest	-	-	-
Total revenues	374,611	374,611	-
EXPENDITURES			
Salaries and benefits	-	-	-
Purchased services	212,952	40,427	172,525
Supplies and materials	51,913	51,932	(19)
Capital Outlay	109,746	115,669	(5,923)
Other	-	-	-
Payments to other governmental units	-	166,583	(166,583)
Total expenditures	374,611	374,611	-
 Revenue over (under) expenditures	 \$ -	 -	 \$ -
OTHER FINANCING SOURCES (USES)			
Transfers in		-	
Transfers out		-	
Total other financing sources (uses)		-	
 Net change in fund balance		 -	
 Fund Balance, Beginning of year		 -	
 Fund Balance, End of year		 \$ -	

See notes to the financial statements and independent auditor's report.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
BUDGETARY COMPARISON SCHEDULE
TECHNOLOGY ENHANCING EDUCATION COMPETITIVE GRANT (2005)
For the Year Ended June 30, 2006

	<u>Budget</u>	<u>July 1, 2004 - June 30, 2005 Actual</u>	<u>July 1, 2005 - June 30, 2006 Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES				
Local revenue	\$ -	\$ -		\$ -
State revenue	-	-		-
Federal revenue	1,246,341	1,054,259	155,294	(36,788)
Interest	-	-		-
Total revenues	<u>1,246,341</u>	<u>1,054,259</u>	<u>155,294</u>	<u>(36,788)</u>
EXPENDITURES				
Salaries and benefits	91,926	79,813	9,155	2,958
Purchased services	181,004	174,120	31,152	(24,268)
Supplies and materials	471,677	188,524	30,127	253,026
Capital Outlay	20,132	270,565	1,231	(251,664)
Other	481,602	341,237	-	140,365
Payments to other governmental units	-	-	83,629	(83,629)
Total expenditures	<u>1,246,341</u>	<u>1,054,259</u>	<u>155,294</u>	<u>36,788</u>
Revenue over (under) expenditures	<u>\$ -</u>	-	-	<u>\$ -</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in		-	-	
Operating transfers out		-	-	
Total other financing sources (uses)		<u>-</u>	<u>-</u>	
Net change in fund balance		-	-	
Fund Balance, Beginning of year		<u>-</u>	<u>-</u>	
Fund Balance, End of year		<u>\$ -</u>	<u>\$ -</u>	

See notes to the financial statements and independent auditor's report.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
EDUCATIONAL THERAPY CENTER FUND
COMBINING SCHEDULE OF ACCOUNTS
June 30, 2006

	Unemployment Reserve	Lunch Account Program	Day Program	Total
ASSETS				
Cash and investments	\$ 151,180	\$ 14,430	\$ 323,644	\$ 489,254
Accounts receivable	-	23	63,087	63,110
Due from other governments	-	-	-	-
TOTAL ASSETS	\$ 151,180	\$ 14,453	\$ 386,731	\$ 552,364
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 8,120	\$ 8,120
Due to other governments	-	-	-	-
Accrued payroll	-	-	75,630	75,630
Deferred revenue	-	-	-	-
Total liabilities	-	-	83,750	83,750
FUND BALANCE				
Fund balance - unreserved	151,180	14,453	302,981	468,614
TOTAL LIABILITIES AND FUND BALANCE	\$ 151,180	\$ 14,453	\$ 386,731	\$ 552,364

See notes to the financial statements and independent auditor's report.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
EDUCATIONAL THERAPY CENTER FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2006**

	<u>Unemployment Reserve</u>	<u>Lunch Account Program</u>	<u>Day Program</u>	<u>Total</u>
REVENUES				
Local revenue	\$ -	\$ 5,705	\$ 1,069,734	\$ 1,075,439
State revenue	-	1,800	-	1,800
Federal revenue	-	27,654	-	27,654
Interest	8,631	345	8,237	17,213
Total revenues	<u>8,631</u>	<u>35,504</u>	<u>1,077,971</u>	<u>1,122,106</u>
EXPENDITURES				
Salaries	-	-	919,632	919,632
Benefits	-	-	216,185	216,185
Purchased services	-	34,620	50,888	85,508
Supplies and materials	-	-	45,341	45,341
Capital outlay	-	-	2,992	2,992
Other	-	-	682	682
Payments to other governments	-	-	7,574	7,574
Total expenditures	<u>-</u>	<u>34,620</u>	<u>1,243,294</u>	<u>1,277,914</u>
Revenue over (under) expenditures	8,631	884	(165,323)	(155,808)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	8,631	884	(165,323)	(155,808)
Fund Balance, Beginning of year	<u>142,549</u>	<u>13,569</u>	<u>468,304</u>	<u>624,422</u>
Fund Balance, End of year	<u>\$ 151,180</u>	<u>\$ 14,453</u>	<u>\$ 302,981</u>	<u>\$ 468,614</u>

See notes to the financial statements and independent auditor's report.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2006

ASSETS	GED	Bus Driver Training	Supervisory Expense	Admini- strative
Cash and investments	\$ 15,561	\$ 6,687	\$ -	\$ 83,697
Accounts receivable	-	-	-	6,403
Due from other governments	-	-	-	1,000
TOTAL ASSETS	<u>\$ 15,561</u>	<u>\$ 6,687</u>	<u>\$ -</u>	<u>\$ 91,100</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable	\$ 129	\$ 37	\$ -	\$ 5,724
Due to other governments	-	-	-	-
Accrued payroll	-	-	-	-
Deferred revenue	-	-	-	-
	<u>129</u>	<u>37</u>	<u>-</u>	<u>5,724</u>
FUND BALANCE				
Fund balance (deficit) - unreserved	<u>15,432</u>	<u>6,650</u>	<u>-</u>	<u>85,376</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 15,561</u>	<u>\$ 6,687</u>	<u>\$ -</u>	<u>\$ 91,100</u>

See notes to the financial statements and independent auditor's report.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2006**

ASSETS	Youth and Camp Success	Standards Aligned Classroom	Technology Innovative Challenge	Lincoln Charter School	TOTALS
Cash and investments	\$ 959	\$ 2,021	\$ -	\$ (41,530)	\$ 67,395
Accounts receivable	-	-	-	223	6,626
Due from other governments	-	-	-	-	1,000
TOTAL ASSETS	<u>\$ 959</u>	<u>\$ 2,021</u>	<u>\$ -</u>	<u>\$ (41,307)</u>	<u>\$ 75,021</u>
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ 30,156	\$ 36,046
Due to other governments	-	-	-	-	-
Accrued payroll	-	-	-	22,412	22,412
Deferred revenue	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,568</u>	<u>58,458</u>
FUND BALANCE					
Fund balance (deficit) - unreserved	<u>959</u>	<u>2,021</u>	<u>-</u>	<u>(93,875)</u>	<u>16,563</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 959</u>	<u>\$ 2,021</u>	<u>\$ -</u>	<u>\$ (41,307)</u>	<u>\$ 75,021</u>

See notes to the financial statements and independent auditor's report.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2006**

	<u>GED</u>	<u>Bus Driver Training</u>	<u>Supervisory Expense</u>	<u>Admini- strative</u>
REVENUES				
Local revenue	\$ 19,849	\$ 3,655	\$ -	\$ 51,343
State revenue	-	1,440	1,000	-
Federal revenue	-	-	-	-
Interest	451	228	26	2,877
Total revenues	<u>20,300</u>	<u>5,323</u>	<u>1,026</u>	<u>54,220</u>
EXPENDITURES				
Salaries	350	-	-	-
Benefits	1,249	421	-	799
Purchased services	12,907	5,945	1,025	84,787
Supplies and materials	4,705	862	-	3,945
Capital outlay	-	-	-	900
Other	-	-	-	482
Payments to other governmental units	-	-	-	-
Total expenditures	<u>19,211</u>	<u>7,228</u>	<u>1,025</u>	<u>90,913</u>
Revenue over (under) expenditures	<u>1,089</u>	<u>(1,905)</u>	<u>1</u>	<u>(36,693)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	1
Transfers out	-	-	(1)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>1</u>
Net change in fund balances	1,089	(1,905)	-	(36,692)
Fund Balance, Beginning of year	<u>14,343</u>	<u>8,555</u>	<u>-</u>	<u>122,068</u>
Fund Balance, End of year	<u>\$ 15,432</u>	<u>\$ 6,650</u>	<u>\$ -</u>	<u>\$ 85,376</u>

See notes to the financial statements and independent auditor's report.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2006**

	<u>Youth and Camp Success</u>	<u>Standards Aligned Classroom</u>	<u>Technology Innovative Challenge</u>	<u>Lincoln Charter School</u>	<u>TOTAL</u>
REVENUES					
Local revenue	\$ 31,422	\$ 17,024	\$ -	\$ 321,106	\$ 444,399
State revenue	-	-	-	-	2,440
Federal revenue	-	-	3,513	63,700	67,213
Interest	587	461	-	237	4,867
Total revenues	<u>32,009</u>	<u>17,485</u>	<u>3,513</u>	<u>385,043</u>	<u>518,919</u>
EXPENDITURES					
Salaries	-	11,520	2,674	281,213	295,757
Benefits	-	648	2,160	37,826	43,103
Purchased services	33,029	3,873	-	76,848	218,414
Supplies and materials	764	2,000	-	87,498	99,774
Capital outlay	-	-	-	7,133	8,033
Other	-	-	-	96	578
Payments to other governmental units	-	-	-	-	-
Total expenditures	<u>33,793</u>	<u>18,041</u>	<u>4,834</u>	<u>490,614</u>	<u>665,659</u>
Revenue over (under) expenditures	<u>(1,784)</u>	<u>(556)</u>	<u>(1,321)</u>	<u>(105,571)</u>	<u>(146,740)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	14,284	-	14,285
Transfers out	-	-	-	-	(1)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>14,284</u>	<u>-</u>	<u>14,284</u>
Net change in fund balances	(1,784)	(556)	12,963	(105,571)	(132,456)
Fund Balance, Beginning of year	<u>2,743</u>	<u>2,577</u>	<u>(12,963)</u>	<u>11,696</u>	<u>149,019</u>
Fund Balance, End of year	<u>\$ 959</u>	<u>\$ 2,021</u>	<u>\$ -</u>	<u>\$ (93,875)</u>	<u>\$ 16,563</u>

See notes to the financial statements and independent auditor's report.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
BUDGETARY COMPARISON SCHEDULE
TECHNOLOGY INNOVATIVE CHALLENGE
For the Year Ended June 30, 2006

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Local revenue	\$ -	\$ -	\$ -
State revenue	-	-	-
Federal revenue	3,513	3,513	-
Interest	-	-	-
Total revenues	3,513	3,513	-
EXPENDITURES			
Salaries and benefits	4,834	4,834	-
Purchased services	-	-	-
Supplies and materials	-	-	-
Capital Outlay	-	-	-
Other	-	-	-
Payments to other governmental units	-	-	-
Total expenditures	4,834	4,834	-
Revenue over (under) expenditures	\$ (1,321)	(1,321)	\$ -
OTHER FINANCING SOURCES (USES)			
Transfers in		14,284	
Transfers out		-	
Total other financing sources (uses)		14,284	
Net change in fund balance		12,963	
Fund Balance, Beginning of year		(12,963)	
Fund Balance, End of year		\$ -	

See notes to the financial statements and independent auditor's report.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
BUDGETARY COMPARISON SCHEDULE
LINCOLN CHARTER SCHOOL
For the Year Ended June 30, 2006

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Local revenue	\$ 340,300	\$ 321,106	\$ (19,194)
State revenue	-	-	-
Federal revenue	63,700	63,700	-
Interest	-	237	237
Total revenues	404,000	385,043	(18,957)
EXPENDITURES			
Salaries and benefits	287,495	319,039	(31,544)
Purchased services	63,500	76,848	(13,348)
Supplies and materials	47,500	87,498	(39,998)
Capital Outlay	4,200	7,133	(2,933)
Other objects	-	96	(96)
Total expenditures	402,695	490,614	(87,919)
Revenue over (under) expenditures	\$ 1,305	(105,571)	\$ (106,876)
OTHER FINANCING SOURCES (USES)			
Transfers in		-	
Transfers out		-	
Total other financing sources (uses)		-	
Net change in fund balance		(105,571)	
Fund Balance, Beginning of year		11,696	
Fund Balance, End of year		\$ (93,875)	

See notes to the financial statements and independent auditor's report.

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2006

<u>TRS & THIS Fund</u>	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2006</u>
ASSETS				
Cash (overdraft)	\$ (6,170)	\$ 190,539	\$ 190,381	\$ (6,012)
Accounts receivable	3,144	1,612	3,144	1,612
Total assets	<u>\$ (3,026)</u>	<u>\$ 192,151</u>	<u>\$ 193,525</u>	<u>\$ (4,400)</u>
LIABILITIES				
Due to other governments	<u>\$ (3,026)</u>	<u>\$ 192,151</u>	<u>\$ 193,525</u>	<u>\$ (4,400)</u>

See notes to the financial statements and independent auditor's report.

SINGLE AUDIT SECTION

MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2006

Federal Grantor/Pass-Through Grantor, Program Title & Major Program Designation	CFDA Number	Project Number	Federal Expenditures 7/1/05- 6/30/2006
U.S. DEPARTMENT OF EDUCATION			
Technology Innovative Challenge	84.303	R303A9803	\$ 3,513
<i>Passed through Illinois State Board of Education (ISBE):</i>			
Mathematics and Science Partnership (M)		06-4936-01	84,394
		05-4936-00	30,586
	84.366		114,980
Technology Enhancing Education - Competitive (M)		06-4972-00	374,611
		05-4972-00	155,294
	84.318		529,905
Title I - Reading First Part B SEA Funds		06-4337-00	4,632
Title I - Reading First Part B SEA Funds		06-4337-02	29,324
		05-4337-02	6,243
	84.357		40,199
Lincoln Charter School	84.282	06-4960-00	63,700
<i>Passed through St Clair County Regional Office of Education #50:</i>			
Title I School Improvement	84.010	06-4331-SS	74,178
<i>Passed through Illinois Department of Human Services (IDHS):</i>			
Vocational Adjustment Counselor	84.126	44440C40	116,569
Total U.S. Department of Education			\$ 943,044
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed through ISBE:</i>			
School Breakfast Program		06-4220-00	\$ 7,100
		05-4220-00	1,444
	10.553		8,544
National School Lunch Program		06-4210-00	15,244
		05-4210-00	3,866
	10.555		19,110
Total U.S. Department of Agriculture			\$ 27,654
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 970,698

(M) Program was audited as a major program

The accompanying notes are an integral part of this schedule.

**MADISON COUNTY REGIONAL OFFICE OF EDUCATION #41
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Madison County Regional Office of Education #41 and is prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented on this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2: SUBRECIPIENTS

There were no federal awards provided to subrecipients.

NOTE 3: DESCRIPTION OF MAJOR FEDERAL PROGRAMS

Mathematics and Science Partnership

The purpose of this grant was to target math and science teachers with content for professional development.

Technology Enhancing Education – Competitive

This grant is meant to expand on the objectives of the Technology Innovation Challenge. The funds are used to purchase more advanced equipment for the schools in the area and to put on workshops for teachers to help them better understand how to use the technology in their classrooms.

NOTE 4 - NON-CASH ASSISTANCE

Madison County Regional Office of Education #41 did not receive any federal non-cash assistance.

NOTE 5 - LOANS AND INSURANCE

There were no federal awards received or disbursed by the Madison County Regional Office of Education for the purpose of loans or insurance.